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# FINANCIAL TIMES



Corporate networks

Satellites offer a flexible alternative

Technology, Page 8



**New York City** Back to the budgetary brink Renault Asleep at the wheel l Todav's survev Inward investment into the UK

THURSDAY JULY 18 1996

# Germany by 2000

World Business Newspaper

France yesterday announced a massive reduction of its military forces in Germany, leaving only 3,000 French troops in its eastern neighbour by the end of 1999, compared with about 20,000 at present. The Group withdrawals, part of a comparehensive streamling of France's armed forces, may heighten tendence the stream of the str sions between France and Germany over military co-operation. The move could also encourage other Nato members with large forces in Germany to fol-

low suit: Page 12 Mercedes-Benz executive quite: The head of Mercedes-Benz's commercial vehicle division, Bernd Gottschalk, resigned over "different views" about the company's division of responsibilities, according to the group, Page 18

Ford Motor, the US car company, surprised the stock market with a 21 per cent jump in net income in the second quarter to \$1.9hn. Page 13

US plan to protect troops from terrorists: The Pentagon is planning a sweeping initiative to protect US troops based overseas from nuclear, chemical and biological attacks by terrorists, defence secretary William Perry said. Page ?

Grandig closes Malaysian plant: Grandig (Malaysia), part of Philips' loss-making German subsidiary, is to close its plant in Penang in a fur-ther setback for the Malaysian island which had become a booming centre for electronics manufacturers. Page 12

UK insurers act over genetic testing: The UK insurance industry plans to appoint a genetic adviser to help companies formulate a policy on the controversial issue of genetic testing. Page 12

Gloomy prediction for Swiss econ Switzerland's short-term economic outlook is "bleak", says the Organisation for Economic Co-operation and Development. It expects the economy to grow by 0.5 per cent in the current year and unemployment to fall only slightly next year.

MGM may be floated in next few years: MGM, the US film business bought for \$1.8bn by Australian media group Seven Network and Kirk Kerkorian's Tracinda group, is likely to be floated in the next three to five years, Seven's chairman said. Page 13; Lex. Page 12; News Corp buys New World, Page 14

The US called for a binding global target for reduc-ing emissions of greenhouse gases which are warming the earth's atmosphere but declined to propose a specific target or set a time limit. Page 7

General Electric, the largest US company by market value, produced record earnings in its second quarter, rising 11 per cent to \$1.9tm. Page 14

Fulltan plans to start new disc production: Japanese electronics group Pujitsu plans next year to start producing a new generation of computer memory discs with vast storage capacity. Page 13: Cuts by chip makers widen, Page 15

General strike hits brack Half a million israeli workers went on strike over plans for budget cuts by prime minister Benjamin Netanyahu's new government. Page 7

French war criminal dies in prison hospital: Paul Touvier (left), the only Frenchman jailed for crimes against humanity in the second world war, died aged 81 in a prison hospital near Paris. Touvier, a key aide to Gestapo chief Klaus Barbie, was convicted and jailed for life in 1994 for ordering the execu-tions by firing squad of seven Jews in reprisal for

the killing of Vichy propaganda chief Philippe Hen-riot by the French Resistance, Page 2 Alitalia, italy's troubled national airline, is

expected to incur losses and restructuring costs this year of L1,200bn (\$782m). Page 2

Mice crackdown in wake of bomb strack: The Ukramian government will introduce "ele-ments" of a state of emergency in the wake of this week's bomb attack on prime minister Pavio Lazarenko. It blamed the explosion on criminals and communists opposed to plans to restructure the ailing coal industry. Page 3

Rise in number of US adult smokers: The number of adult smokers in the US rose slightly last year in spite of increasingly tough restrictions on smoking in public places. Page 6

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# France to withdraw US faces fresh dispute over sanctions 17,000 troops from

By Stephen Fidler and Guy de Jonquières in London and Nancy Durine in Washington

The US was heading yesterday for another confrontation with its The amendment was passed as European Union ambassadors prepared to meet in Brussels to European trading partners over

plans for sanctions against com-panies investing in Libya and Iran, only a day after acting to defuse a conflict over controver-sial anti-Cuban legislation. The dauger of a fresh dispute follows approval by the US Sen-ate of an amendment to toughen

proposed laws providing for punitive measures against foreign companies investing in the Libyan and tranian oil industries.

However, EU officials said Mr Clinton's decision had not removed their objections to the cuss plans for possible retaliaact, or concern that the US was

tion against US legislation designed to penalise foreigners operating in Cuba. President Bill Clinton on Tuesday bowed to widespread international protests about the Cuba legislation - the Helms-Burton Act - by delaying for six months the right to bring court cases against companies "trafficking" in confiscated Cuban assets.

increasingly attempting to impose its will on allies by applying its laws beyond its borders.

They said there was still strong support in the EU for reprisals

against the US. However, there was no agreement on whether they should be put into effect immediately or held in reserve and used to put pressure on Washington. Mr Ian Lang, the

UK trade and industry secretary, said sanctions against the US were "quite possible. We're

looking at various options".

The EU has told Washington it will react strongly if the US enacts legislation against Iran and Libya which threatens European companies. Until recently, Brussels believed that it had succeeded in getting Congress to water down its proposals. However, this week's Senate

vote has renewed doubts. The amendment goes beyond a bill

EU angered by moves to punish trade with Libya and Iran The vote was welcomed by Sen-ator Alfonse D'Amato, sponsor of the Iran-Libya bill. "Our allies must understand that we must passed by the House of Represenfight terrorism with action, not tatives by compelling - rather than entitling - the president to just platitudes. However, they seem to be more interested in enforce sanctions on companies profits than in closing down terinvesting in Libya.

rorist regimes."
The final legislation will The amendment, sponsored by depend on whether the House accepts the Senate amendment. Senator Edward Kennedy, also requires the president to impose at least two sanctions on offend-The White House has not said whether, in that event, Mr Cliners from a list of options. They include export and import bans on companies, denial of US bank ton would sign the bill into law. It is rare for Congress to tie a loans and export-import bank

Continued on Page 12 EU unites over measures, Page 6

### Nomination of minister strengthens position of security chief

# Yeltsin appoints tough general to defence job

By Chrystia Freeland

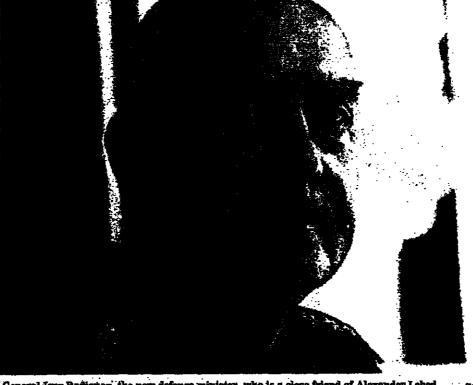
Russian president Boris Yeltsin yesterday appointed as defence minister a man notorious for his brutal suppression of a civilian protest in the dying days of the Soviet Union.

The appointment of General Igor Rodionov will strengthen the specificat of his close friend and mentor, Mr Alexander Lebed, the national security chief and presidential aspirant who strongly backed him for the job.

Russian democrats have dispersing a pro-independence protest in Georgia in 1989 with the loss of 19 lives.

An investigation by the Soviet parliament into the incident recommended that criminal charges be brought against Gen Rodionov, but many army offi-cers passed the blame to local politicians.

His nomination is likely to disappoint western governments, which had hoped that the return of Mr Anatoly Chubais, Russia's leading market reformer, to the Kremlin this week meant the liberals had gained the upper hand. The new defence minister is "a professional of a high standard. an elite general who combines practical and theoretical skills", Mr Lebed said yesterday. "The president has acted very wisely and all Russia will gain from this



General Igor Rodionov, the new defence minister, who is a close friend of Alexander Lebed

under Gen Rodionov at the time of the killings in Tbilisi and went on to use overwhelming force to defend ethnic Russian separatists in the former Soviet republic of

Until yesterday, Gen Rodionov was head of the army general staff's military academy, where he was widely respected by senior officers. Like Mr Lebed, 59year-old Gen Rodionov is a veteran of the Afghanistan conflict who believes Russia should avoid foreign conflicts and concentrate on its domestic problems.

"I do not now see an external threat to Russia. The biggest threat is from within Russia. Russia must be saved from itself because it could break apart like the Soviet Union." he said in a

The two biggest challenges for Gen Rodionov will be to resolve the conflict in the separatist southern region of Chechnya and to turn Russia's 2m-strong conscript army into a more stream-

sional force. After a pre-election ceasefire in Chechnya, the Russian army has again stepped up its military efforts to crush the separatist

After entering the Kremlin last month without a strong network of political allies in the government, Mr Lebed is now in a bet-

ter position to secure his place as

Chemomyrdin, the prime ministhe politically-inexperienced for-mer general in public.

Mr Yeltsin's successor. His chief rival is Mr Victor

er's request. The security chief has already forged close ties with Mr Yuri Luxhkov, Moscow's influential mayor.

rity interests.

Yesterday Mr Yevgeny Nazdratenko, the governor of the Primorsky region, appealed directly to Mr Lebed to tackle an energy supply crisis in Russia's far east which he claimed threatened the country's national secu-

Mr Lebed's aides said that the

president had chosen Gen

Rodionov at his security advis-

# Companies cut back overseas transfer benefits

By Robert Taylor in London

Companies are growing "less generous" in the benefits they give to senior managers working abroad, according to a study of multinational corporation trans-

credits, and exclusion from US

government contracts.

fer policies in Europe.

The study by Monks Partnership, the independent remuneration advisers, said the proportion of companies willing to fund education for children of managers on short-term transfers overseas had fallen from 42 per cent three years ago to 16 per cent this year. Eighty per cent fund housing

for overseas managers, down from 90 per cent, and the proportion receiving company-financed language training dropped from 91 per cent in 1993 to 80 per cent

The number of companies which consider expatriates should be paid the same rates as local nationals has increased to 51 per cent from 36 per cent.

The survey covers 54 compa-nies - including Alcatel, Barclays Bank, Bertelsmann, British Telecommunications, Courtaulds, Hertz, Inchcape, Levi Strauss, Mars, National Grid, Pepsico International, Philip Morris, Pilkington, Redland, Tate and Lyle, Ti Group and United Utilities with 687 business units or subsidiaries in 24 European countries. The companies made 2,084

senior management transfers in

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£28,000,000

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Macfatlanes acted as solicitors to the company and to the equity investors
Deloitte & Touche acted as investigating accountants

ber of transfers to increase in the next 12 months. Their main reasons for transferring senior managers within

the year to May. Forty two per

cent said they expected the num-

European operations is the need for them to gain international experience, the need to transplant company culture or skills and the development of regional or product-based structures.

Companies find American, British, Dutch and Australian senior managers are the most willing movers while the most reluctant are the French, Germans, Italians, Spanish and Swiss.

Companies say transfers are made difficult by managers' concerns over dual careers in the "family resistance". But concerns over foreign languages and "per ceived quality of life" were of limited importance in discouraging relocation.

The survey says companies find it hard to convince managers to accept the same pay and conditions as local workers. unless practices and pay levels there are similar to those at

between senior managers sent abroad for less than a year and

Continued on Page 12

# Time Warner's takeover of Turner approved in principle

The contentious \$7.5bn takeover of Turner Broadcasting System rival media group Time by rival media group Time Warner has been approved in principle by the US competition

authorities.
The deal, first announced last
August, had been held up by concerns over competition in the US cable TV industry. Time Warner cautioned that

the deal was not yet final, since a definitive agreement still had to be reached with the Federal Trade Commission's staff and then approved by the FIC com-However, it is thought that final approval could be reached as early as the end of this week.

The stumbling block in negotiations had been the 21 per cent stake in Turner held by Tele-Communications Inc. (TCI), the largest US cable TV operator. Under the original deal, this stake would have converted into a 9 per cent holding Since Time Warner is the next

Time Warner

had argued this might weaken

Under the new arrangement, the 9 per cent Time Warner stake is to be hived off as a separate contenty, owned by shareholders in TCFs subsidiary Liberty Media - Brough which it owns its linder terms yet to be finalised,

there will be safeguards against TGF exercising control. This represents some loss of control for Time Warner, since under the original agreement votbiggest cable operator, the FTC ing rights in the 9 per cent stake

were to be held by Mr Gerlad Levin, Time Warner's chairman. In another substantial change to the original deal, contracts under which TCI was to secure Turner programming at a discount over the next 20 years will be scrapped. A new contract will now be drawn up six months after the takeover goes through.
TCI said the spin-off plan was creative and beneficial", since it would allow Liberty Media shareholders to participate directly in the new Time Warner.

involved rose sharply yesterday. In late trading, Time Warner had risen 9 per cent, up \$3 to \$361/4. Turner's shares were up by more than 10 per cent, up \$2% to \$26%. TCI's "B" shares had risen 9 per cent, up \$1% at \$15%, while Lib-erty Media was up \$1% to \$23%. TCI, whose chairman Mr John Malone is one of the most powerful figures in US media, denied that it had "ever aspired to participate in the management of

Time Warner". It said that renegotiating its Turner contracts under new ownership should not prove difficult.

### CONTENTS

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# Erbakan soothes fears of **Turkish** business

By John Barham in Istanbul

Anxiety in the executive suites of Istanbul, Turkey's business capital, has eased in the 10 days since Mr Necmettin Erbakan became the country's first Islamist prime minister. Mr Erbakan has pleasantly surprised the country's business leaders by ditching his anti-capitalist rhetoric since his Refah party became the larger partner in a coalition with Mrs Tansu Ciller's centre-

right True Path party.
"We do not intend to interfere in the free market at all," he told parliament this week. Mr Abdullatif Sener, Refah's finance minister, shook financial markets this week with threats to cap interest rates. now over 20 per cent in real terms, on the Treasury's snowballing domestic debt. How-ever, this was quickly denied.

Markets were also concerned by his decision last week to increase public sector wages well above inflation. But business hopes Mr Erbakan will retreat from promises to offer incentives and tax breaks to farmers, the poor and small traders - Refah's core supporters - and to waive their debts.

There are limits to Mr Erbakan's populism. For instance, Turkey's customs union with the EU restricts state aid and requires open markets. Business is giving Mr

Erbakan the benefit of the doubt. Mr Yavuz Canevi, chairman of TEB, Turkey's most conservative bank and head of the foreign investors' association, says: "New governments tend to talk too much. They will sit back and see the real situation in four to six weeks and start thinking seriously." Some believe Mr Erbakan could embark on an ambitious reform programme to reduce inflation, now 83 per cent a year, by restructuring the deficit-ridden state.

One chief executive repeated a commonly-held view that he would not be in power long. "But the people needed to experience Refah to know what they are like, otherwise they would always keep saying. 'Ah. if only Refah were in charge things would be better'."

Real pessimists keep quiet in public, wary of offending Ankara, which can make or break

a company. While the business world is relieved Mr Erbakan is not trying to impose Islamic codes on Turkey, many fear the country could soon be engulfed by a severe economic crisis.

Government spending has get deficit could rise by half to 10 per cent of gross domestic product this year. Economists fear the current account deficit may hit \$6bn-\$7bn, although central bank economists say it will only be half as big.

Yet there is great confidence that business will bounce back from a severe setback, as it did in 1994 when the economy contracted by 6 per cent following a balance of payments and financial market crisis.

Local and foreign executives are confident that Turkey will always remain a promising market. Mr Jacques Chauvet. director general of Renault's Turkish operation, says: There are only 18 cars per Europe the rate is 480 so the notential is great."

But a business consultant who watches Refah closely warns: "Big companies think they can live with Refah. I am not so sure. It will make the rich pay for its programmes." And neither should Refah be written off: "People have been [underestimating] Refah for years, but they keep growing."

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# Controversial legislation expected to spark fierce battle in parliament

# Italy draws up new media rules

The Italian government yesterday unveiled draft legislation which aims to impose order on the fast-expanding communications sector by limiting media ownership and establishing a telecoms and broadcasting regulator.

The decision had been postponed twice in the past fortnight as state and commercial television networks have lobbied the government for changes. The proposals are expected to face a fierce parliamentary debate.

Mediaset, the main commercial broadcaster, complained that the measure was biased in favour of Rai, its state-owned rival, and vowed to seek alterations in parliament. Mediaset is controlled by Fininvest, the family holding company of Mr Silvio Berlusconi, leader of the rightwing opposition.

The draft law - and a related

bill which has yet to be approved by the government will not force Mediaset or Rai to sell any channels. Mediaset would have to transform one of its three channels into a satellite or cable service or reduce its overall terrestrial audience. while one of Rai's three channels would become a regional network, under Rai control. Mr Antonio Maccanico, post and telecoms minister, said the

government would use a

decree to push through the

A view of the future?

One of the 16,000 specially minted

Parties hint at compromise over how to tackle sensitive issue of constitutional reform

Italy's centre-left governing alliance yesterday proposed that constitutional reform - the most sensitive issue facing the new legislature - be tackled by a special commission in each of the two houses of parliament, writes Robert Graham in Rome.

The proposal, made at the start of a parliamentary debate on reforming the 1948 constitution, envisaged two 30-strong commissions. But this would give the government more direct control over the content of the reforms, so the rightwing opposition, headed by former premier Silvio Berlusconi, yesterday proposed a more autonomous constituent assembly elected by

proportional representation. Yesterday, speakers on both the government and opposition side hinted that a compromise was possible. Mr Gianfranco Fini. leader of the rightwing National Alliance, said he was prepared to examine alternative formulas as long as there was a clear timetable for reform.
Mr Massimo D'Alema, leader of the Party of

the Democratic Left, the dominant partner in draft law if it faced obstruction in parliament. New rules on

media ownership must be in

place by the end of August to

avoid breaching a constitu-

tional court ruling, and the

government wants to speed the

long-awaited sale of its major-

Mr Michele Tedeschi, chair-

man of Iri, the state holding

ity stake in Stet, the telecoms

holding company.

Emu: banks' optimism not-

matched by spending

Banks saying their IT can

ope with Emu timetable

Banks saying they have

strategy in place

said vesterday it was already too late to expect privatisation of Stet this year, as the government originally hoped. "As things stand, we won't manage to privatise Stet in the autumn, but there's still a good chance in spring and we're aiming at that," he said.

Shares in Mediaset, which began trading in Milan on Monday, fluctuated wildly yesterday morning as details of

Computer chaos warning over Emu

face computer chaos if Euro-

pean monetary union starts as

planned in 1999, the US com-

puting group IBM has warned.

be a severe shortage of skills to

cope with the transition to the

single currency because it coincides with the computing

overhauls needed to cope with

IBM and other industry

groups warn that banks unable

to manage could lose the confi-

dence of customers and fail. So

severe is the problem that IBM

argues there is a compelling

case for delaying Emu until

Many banks and businesses.

however, reject IBM's gloomy

conclusions, suspecting that

computing groups are simply

seeking business. A recent sur-

vey by the International Data

Corporation, for example,

shows that 90 per cent of banks

believe their information tech-

nology infrastructure will cope

with Rmu. But that survey also

shows that only half have an

IT strategy for Emu and a

mere 15 per cent have allocated

IBM's gloomy prognosis is

shared by most of the comput-ing industry. Mr Colin Stringer

the end of the century.

after the year 2000

The company says there will

the government, said there had to be "mutual recognition by the majority and the opposition that there is a shared responsibility for success or failure". But Mr Umberto Bossi, head of the populist Northern League, told parliament it was too late for constitutional reform since the unity of the Italian state could no longer be guaranteed. It was better to accept two Italys with separate currencies, with the north - his ill-defined state of Padania - acquiring autonomy via a referendum.

Behind yesterday's set-piece speeches by political leaders lay the mounting reservations of Mr Massimo D'Alema about the two-month-old premiership of Mr Romano Prodi. Mr D'Alema is refuctant to go ahead with a shake-up of the Italian state without the certainty of a government which can last a good 18 months

Mr D'Alema, the real power behind the scenes, has yet to demonstrate his full conviction in Mr Prodi as premier. These uncertainties have in turn been reflected in the

the draft were unveiled in Rome.

But broadcasting experts said Mediaset's complaints seemed exaggerated. For example, Mr Maccanico cleared Mediaset and its allies to bid for Italy's third mobile telephone licence in the autumn, whereas Rai would have to establish a costly regional network.

"Mediaset may have lost the

IBM fears the severe shortage of skills may cause

tion draw up Emu guidelines

says: "IT resources will be

severely depleted with Emu.

That means some banks will

Taken alone, changing IT

systems to cope with Emu is

expected to be relatively man-

ageable, albeit expensive: Bar-

clays bank and Deutsche Bank

each calculate the cost at

about £200m (\$312m), implying

costs of about £3.7bn for the

entire EU banking industry.

But Europe's computing expertise will be stretched over the

next few years by the need to

modify computer programmes

to cope with the change of cen-

tury. Some industry sources

expect these changes to cost

European governments and

Signs of skills shortages are

already emerging: the cost of

European programmers able to

read core computer codes such

as Cobol, for example, has

These supply problems are

likely to worsen. IBM hopes to

tackle the issue by sending

work to India, but it argues

there is not enough telecom-

munications capacity for this

Some observers believe a

new IT breakthrough could

to provide a solution.

risen 30 per cent this year.

businesses some £200bn.

businesses to collapse, writes Gillian Tett

certainly fail."

European businesses could the German banking associa-

EUROPEAN NEWS DIGEST

elections, but on television they haven't lost anything,"

sald Mr Francesco Siliato, an

independent media analyst

Mr Fedele Confalonieri,

Mediaset's chairman, wel-

comed the fact that Mediaset

would not have to give up a

channel, and admitted that the

final draft was better than ear-

lier attempts, which Mediaset

had dubbed "economic vandal-

ism". Rai said it felt "reas-

Under the bill, Mediaset

would have to reduce the pro-portion of commercial breaks

from 18 per ceut to 16 per cent,

from January next year until

the end of August, when the

authority would review the sit-

Mr Confalonieri said such a

reduction could cut about

L150bn (\$100m) from Medi-aset's annual turnover of

around L3,000bn. Mediaset

would also be affected by a

ceiling of 30 per cent on its share of overall revenues from

publicity and licence fee, six

points below its current share.

If the law is approved, the regulatory authority will resemble the FCC in the US.

which covers both telecoms

and media, rather than the UK

model of separate regulators. It

will be made up of two fourperson committees - one for networks and infrastructure,

the other for products and ser-

ing groups doubt whether

there is enough time and warn

that conducting two large IT projects in tandem could lead

companies to fail. "Doing the

projects together more than

doubles the risk," says Mr Eric

The problem has been exac-

erbated because many compa-

nies are delaying their prepara-

tions for Emu until the

political climate becomes

Mr Juan Amador, an associ-

ate partner of Anderson con-

sulting, says: "Our clients are

talking about starting projects

about six months before the

changeover. That's cutting it

fine, but they want to see a

In theory, the only busi-

nesses which need to make the

changes in 1999 are wholesale

banks. In practice, most IT

experts expect the competitive

pressures will lead many com-

panies and retail banks to

demand IT changes well before

the single currency replaces

says: "Our assumption is that

most companies will want to

change on day one for competi-

national currencies in 2002. Mr Brian Reynell, regional affairs director for the US com-

puting group EDS in Brus

Hali of Bull, the French com-

puter group.

clearer.

real deadline.

uation.

sured" by the final draft.

based in Milan.

# EU move on sex discrimination

The European Commission said yesterday that plaintiffs and efendants should share the burden of proof in sex

discrimination cases in the European Union. "Until now, a woman who alleged breach of the principle of equality has generally had to bear the full burden of proving her case, even where certain facts were easier for her employer to establish," it said in a statement. If the legislation is adopted by EU ministers, it would apply in all Union countries except Britain, which has opted out of the EU's

"social protocol". The text also defines "indirect discrimination", saying it exists when an apparently neutral practice disproportionately disadvantages members of one sex, especially because of marital or family status – unless the aim is objectively

The Commission has been pushing for legislation on the burden of proof since 1988, but its previous proposal was drawn up under treaty articles that require unanimity and was blocked by Britain. It decided to propose new legislation under the social protocol, which was introduced by the 1992

### Serbian talks on Karadzic's fate

Mr Richard Holbrooke, the architect of the Dayton peace agreement for Bosnia, yesterday held four hours of talks with President Slobodan Milosevic of Serbia in an effort to prop up the agreement by securing the removal of Mr Radovan Karadzic, the Bosnian Serb leader who has been indicted for

Mr Holbrooke, who was recalled by the US government from his new job as a Wall Street investment banker, said vesterday: "I cannot tell you we made any progress today and will not characterise the talks except to say they were inconclusive and in progress." Mr Holbrooke said yesterday that Mr Ejup Ganic, Bosnian vice-president, and a trade delegation from Bosnia would meet Mr Milosevic next week in the first official visit by the Bosnian government since the outbreak of war four years ago.

Mr Yevgeny Primakov, the Russian foreign minister, yesterday accused the UN war crimes tribunal in The Hague of being "overpoliticised and unbalanced in the fields where it is expected to work". Russia sees the tribunal as being anti-Serbian because Serbs represent the majority of those indicted. Mr Milosevic and his former proxy, Mr Karadzic, are widely seen by western governments as most responsible for Laura Silber, Belgrade

### Death of French war criminal

Paul Touvier, the only Frenchman convicted of crimes against humanity committed during the second world war, died yesterday in prison, aged 81. Touvier, a key aide to Gestapo chief Klaus Barbie, was convicted in 1994 of ordering the executions by firing squad of seven Jews in reprisal for the killing of Vichy propaganda chief Philippe Henriot by the French Resistance.

Twice convicted in absentia for treason, Touvier was pardoned by President Georges Pompidou in 1971 at the behest of leading Roman Catholic Church officials.

But Resistance groups and Jewish survivors came forward with evidence to bring new charges, forcing Touvier back into hiding. He remained a fugitive with his wife and two children until he was arrested at a Roman Catholic priory in Nice in

### Alitalia set to write off \$782m

Alitalia, Italy's troubled national airline, is expected to incur losses and restructuring costs this year of L1,200bn (\$782m). These figures – L400bn of losses and another L800bn in restructuring costs - were given yesterday in evidence to parliament by Mr Michele Tedeschi, the head of Iri, the state holding company which controls Alitalia .

Mr Tedeschi also revealed Iri had handed over L1,000bn to Alitalia as part of the first L1.500bn tranche of an eventual L3.000bn capital injection to help with a reorganisation of the flag carrier. The transfer had been essential to cover Alitalia's obligations to financial institutions. However, he did not elaborate on how Iri, itself in a delicate financial plight, would be able to find the remaining funds for the capital increase. Alitalia's current indebtedness stood at 1.3,400hn, plus a further L1,300bn in leasing and rental commitments, he said. The restructuring plan, announced on June 19 and involving 2,800 job losses, was compatible with EU competition rules, he

### Pact ends Euro-card dispute

MasterCard International and Europay International, the card payments organisations, have settled a long-running dispute with an agreement aimed at clearing up the confusion between their card brands.

Europay, which handles the MasterCard brand in continental Europe in tandem with its own Eurocard credit card, as well as the Eurocheque ATM card, has agreed to a new combined logo which is intended to make it clearer to MasterCard holders that their cards are accepted by Eurocard

The new agreement allows the MasterCard brand to be prominently displayed in shop windows, while not discarding the brand strength Eurocard has built up especially in

Just a few weeks ago, it appeared possible that the gap between MasterCard and Europay was so wide that they might dissolve their 30-year-old alliance. George Graham, London

# Germans halt row over a pfennig

The German federal cartel office has abandoned its action against the east German utility Vereinigte Energiewerke AG (VEAG) for over-pricing. A comparison with other utilities showed VEAG was

charging one pfennig more per kilowatt hour than the others, the cartel office said, but the higher costs were permissible as VEAG had higher production costs because of the high proportion of brown coal used in its energy production

### of the Hoskyns consultancy group, which recently helped solve the problem but comput-MEPs open their wallets to public gaze

By Lionel Barber in Strasbourg

The European Parliament yesterday agreed to open up members' husiness interests to public scrutiny, but the measures are limited and avoid prescribing punishment for transgressors.

The new rules require MEPs to make an annual declaration of payments in cash or kind above their parliamentary pay and expenses, and to reveal other professional or paid activities.
MEPs in Strasbourg

approved the package overwhelmingly, recovering from an embarrassing setback last January when they balked at proposals laying down firm guidelines for lobbyists and tighter rules on their outside

But a minority alliance of Green and Scandinavian MEPs criticised the reforms as inadequate. They said the package did not require MEPs to reveal how much money they received for activities such as consultancies and did not set limits on financial assistance. The debate over lobbying

and MEPs' outside interests is similar to the controversy in the UK, but has intensified as business and industry have woken up to the parliament's

powers to amend European leg-islation as a result of the Maastricht treaty.

Informal estimates suggest that the European Commission accepts on average more than two-thirds of parliamentary amendments when it puts forwards legislative proposals under the Maastricht "co-decision" procedure which applies

to the internal market.

MEPs rejected an attempt by Mr Brendan Connolly, a UK Conservative, to limit the ban on gifts, payments and benefits to those "which might influence the way in which they vote or the performance of their other duties".

Mr Jean-Thomas Nordmann, the Radical French MEP who led efforts to control members' financial interests, said there was no point trying to set ceilings on outside payments, "We did not want to get into scholastic disputes about the appropriate level of outside income because that is what killed the

earlier proposal in January. The parliament's new rules, due to take effect from September, are in effect an internal regulation which remains subordinate to national legislation. One of the difficulties in regulating MEPs is the absence of parallel controls over national

Most EU countries do not have rules governing lobbying or pressure groups, nor do they Britain introduced reforms recently, but a minority of MPs still refuse to declare their outside income.

Mr Ford said the European Parliament's rules committee would shortly study a new code of conduct covering the activities of "inter groups". These are cross-national and cross-party groups of MEPs, funded by pressure groups or business, which are set up to push single issues such as animal rights and minority lan-

petes in the German market

• FT and DT must allow non-

discriminatory access to their

networks to competing low-

level data service operators.

# Commission approves Atlas telecoms 'supercarrier'

Brussels places single condition on merger between Ciba-Geigy and Sandoz

We will survey with great

attention the way the two com-

tions must be well respected. If

they are not we will very

quickly become involved

As expected, he imposed con-

panies behave. All the condi-

By Neil Buckley in Brussels

France Télécom and Deutsche Telekom yesterday gained long-delayed final clearance from the European Commission to create their "supercarrier" alliance, Atlas, and global alliance with Sprint of the US. called Global One.

But Mr Karel Van Miert, competition commissioner. warned that approval of the ventures - which aim to provide "seamless" telecommunications services to businesses worldwide - was on condition that full competition was created in the German and French telecoms markets.

He said Atlas and Global One's main services would be authorised the moment France and Germany granted the first telecommunications licences to

cleared the merger of Swiss companies for methoprene, an active ingredient in Ciba-Geigy and Sandoz to create parasite treatments for pets. Mr Daniel Novartis, the world's second-largest drugs group, write Neil Buckley in Brussels and Bill Hall in Zurich. It

imposed only one condition in the animal healthcare sector. Mr Karel Van Miert, competition commissioner, gave the go-ahead on condition Ciba and Sandoz granted

within the Atlas alliance their

national data networks, Tran-

The European Commission yesterday

structures. He expected the first to be awarded shortly. ation is due to take place by But France Telecom and Deutsche Telekom must wait until their domestic telecoms markets, including voice telephony, are fully liberalised before they can incorporate

the five active ingredients available worldwide for anti-flea treatments for spac and T-Data. Full liberalis-

authorities by the autumn.

non-exclusive licences to competitors

The two companies control three of

approval

again," he said.

ditions on the venture:

January 1 1998. The commissioner said the alliance would be reviewed in 2001, when the Commission would also review progress of the Concert alliance between British Telecom and MCI of the US, which has full regulatory

Vasella, president designate of Novartis, said the condition would In response to his concern that their strength in research and development have a negligible impact, and hoped the merger would be cleared by the US

could lead to a combination of patents in gene therapy that would exclude competitors, the companies said they were "ready to use their influence" to ensure that non-exclusive licences were granted for future patents for gene

with T-Data.

dogs and cats, and Mr Van Miert said

access to methoprene was "of

In general, the commissione particular importance to competitors". concluded there were enough other research and development field to compete with Novartis. The Commission said the merger affected almost 100 product markets, but was there were overlaps, there were no dominant posttions.

therapy to treat tumours.

"largely complementary". Even where • France Télécom must sell party competitors which want Info AG, its data network services subsidiary, which com-

to use their facilities in a nondiscriminatory way.

No cross-subsidies between the groups are allowed, and Atlas and Global One must have separate accounting systems from FT and DT. Atlas and Global One must • They must treat all third- conclude separate contracts for

about the deal from BT, but yesterday the UK operator said it was satisfied.

The third of the global supercarriers, AT&T World Part. ners, is still awaiting regulatory approval from Brussels. The Commission also cleared the Dutch television joint venture Holland Media Groep, between RTL, owned by Luxembourg's CLT, and Veronica of the Netherlands.

FT and DT to act as their dis-

tributors in France and Ger-

Plans for Atlas were first

notified to the Commission in

December 1994, but the Com-

mission demanded several

changes - including the com-

mitment to liberalise alterna-

tive infrastructures - before a

preliminary decision to clear it

There have been complaints

last December.

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# Crackdown crimination by Kiev after bomb attack

By Chrystia Freeland

The Ukrainian government will introduce "elements" of a state of emergency in a sharp reaction to a bomb attack on the prime minister earlier this week, the authorifies said

Mr Pavlo Lazarenko, the prime minister, and other senior officials yesterday samed Tuesday's explosion on "criminals" and "communists" opposed to the newly appointed premier's plans to restructure Ukraine's ailing coal industry.

Other observers have speculated that the blast was part of the intensifying battle for economic control waged by rival, regionally-based political clans. But, emboldened by its recent success in pushing through a contentious constitution, the Kiev leadership said this week's violence would strengthen its resolve to press ahead with its plans to over-

haul the energy sector.

To make that possible, Mr Volodymyr Horbulin, the head of Ukraine's National Security Council, said the government planned tough new security measures, including dismissals of incompetent and corrupt government officials, stricter control over the use of state funds and more elaborate personal protection for the coun-

try's leaders.
"I cannot say this is a state of emergency but elements of a state of emergency will be introduced," Mr Horbulin said. "The task before us is not an easy one, but if we do not start to solve these problems I can-not be sure that by autumn we will be able to speak of Ukraine as an independent

Mr Horbulin said Tuesday's blast, which damaged two cars in a government motorcade but did not injure the prime minister, was more an economic than a political act". Mr Lazarenko, who was on

his way to meet striking coal

miners in eastern Ukraine when the bombers struck, said the attack was an attempt to prevent him from making the

"The idea was to keep me away from the Donbass. I see no other reason for the attack," he said. "A concrete examination of how to stabilise the coal industry had forced criminal structures to use explosives with the aim of wip-

ing me out completely."

After the explosion, Mr Lazarenko carried on with his planned trip to Donetsk, the heart of the Donbass, where he told disgrantled miners the government would pay \$67m of the \$80m wage arrears. But he said it was the last

time Kiev would beil out the largely exhausted coal sector and insisted that the government would press on with plans to close up to 30 mines this year.

Mr Lazarenko also sacked several coal mine directors and regional officials. Donbass regional leaders and coal mine managers have been accused of fomenting strikes in order to extract further subsidies from

Some analysts said the blast was part of the battle for control of Ukraine's natural resources being waged by regional political lobbies, including the Donbass group, and the faction from Mr Lazarenko's home town of Dnipropetrovsk.
But some reformist observ-

ers in Kiev welcomed the government's reaction as a sign that after five years of dithering, the Kiev authorities might finally be ready to steer the country in a clear direction. "They are trying to assert

elementary control over the situation, instead of following the usual Ukrainian habit of hiding our heads in the sand whenever things get difficult, so this is a good thing." Mr Oleksandr Tkachenko, a leading television commentator,

## Competitive edge proves elusive as appreciation of franc prolongs recession

# OECD says Swiss outlook 'bleak'

The short-term economic outlook for Switzerland is "bleak", as expectations that sustained economic growth would quickly return after its longest recession since the war have evaporated, the Organisation for Economic Co-operation and Development says in its latest annual report on the country.

It expects the economy to grow by 0.5 per cent in the current year and unemploy-ment to fall only slightly next year. Less than a year ago it was forecasting GDP growth of 1.7 per cent in 1995 and 2.8 per cent in 1996. In fact Switzer land's growth in 1995 was only 0.7 per cent, the lowest among European OECD countries. The protracted sluggishne

is blamed largely on the appre-ciation of the Swiss franc by about 15 per cent in real terms from 1993 to 1995, resulting in a

attractive season tickets, resulting in a

substantial increase in the use of pub-

lic transport with "striking" gains in

efficiency of road use and quality of

urban life.
In most OECD cities the number of

passenger trips by public transport is

low compared to private transport. But

since the late 1970s, Zurich has wit-

nessed considerable growth starting

from a high base. Despite the absence

of an underground rail system, the pro-

portion of trips by public transport is

estimated at around 42 per cent, signif-

icantly higher than any other Euro-

The number of trips on Zurich's pub-

lic transport system rose in a decade

from 210m a year to 310m in the early

1990s, though it has declined slightly

during the recession. The ORCD

describes Zurich's success as "remark-

able" given that it is one of Europe's

wealthiest cities, with a car ownership

pean city of comparable size.

tional competitiveness. The need to raise taxes and social security contributions, to help reduce official imbalances, par-ticularly the deficit on the unemployment insurance fund, have also been a drag on the economy, as has the failure of the construction sector to recover from the speculative

1966 88 90 92 94

Swiss franc: trade-weighted index

boom of the early 1990s. The OECD's downbeat growth forecast for the Swiss economy is more optimistic than some. The Zurich-based Centre for Research of Economic Activity has just reduced its 1996 forecast for the second time this year and is now predicting a 0.1 per cent decline in Swiss

positive feature of the current cycle is that inflation has been kept very low in spite of the temporary effects of the introduction of a general val-Investment in machinery

and equipment remained the only dynamic demand component in 1995 as businesses tried

set loss of competitiveness caused by the exchange rate rise. Assuming no further real appreciation in Swiss currency in the next year or two, and that the economies of Switzerland's main trading partners strengthen from the second half of 1996, the Swiss economy should accelerate mildly in 1997 and inflation would remain low. The OECD is forecasting GDP growth of 1.7 per cent for 1997.

It says Switzerland can no longer be criticised for its "tortoise-like" approach to struc-tural reforms. The country's medium-term prospects should benefit from a speeding up of reform of unemployment insur-ance, deregulation of the domestic market, and the liberalisation of public procure-

But the OECD believes more needs to be done, particularly

# Juppé in Corsica to launch peace plan

The French prime minister, Mr Alain Juppe, began a two-day visit to Corsica yesterday, hoping to reduce separatist violence with a security crackdown allied to an offer of dialogue and economic aid for the island, Reuter reports from Aiaccio.

Mr Juppé, on his first visit to Corsica as prime minister, will outline his plan to turn the island into a "tax-break cone" for five years to revive the faltering local economy. Before leaving Paris, he met cabinet colleagues to discuss the increasing lawlessness and separatist bombings that have defeated successive French governments for 20 years.

The economic package is expected to involve cutting social and fiscal charges on ousinesses at a cost of FFr700m (\$135.7m) to FFr800m, increasing aid to agriculture, transport and fishing, promoting tourism, and launching a "cul-tural charter" to give special status to the teaching of the Corsican language, The European Union has

said it will provide Corsica with FFr1.7bn in aid. Officials said the French package has yet to be approved by Brussels which opposed a more ambiwould give the island unfair advantages over the Mediterrauean islands of other EU Two main guerrilla factions

have called for calm ahead of Mr Juppe's visit, while the Cuncolta Nationalista, the legal arm of the third group, has said it will suspend activaties after a car bomb killed one of its leaders on July 1.

But some unions planned protests to coincide with Mr Juppe's visit, saying the economic concessions were a "present to the bosses".

President Jacques Chirac outlined a three-pronged policy for Corsica on Bastille Day, based on firmness, "positive dialogue" and efforts to kickstart the economy.

The government has signalled a tougher line on the gunmen by rounding up known hardline separatists.





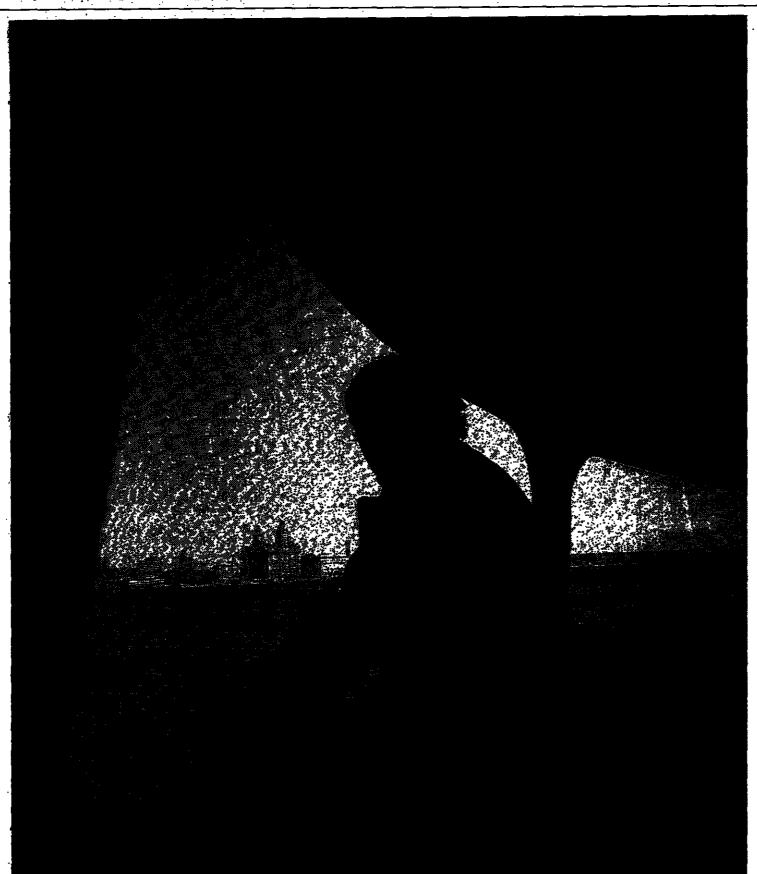
The excellent service on Zurich's tram system has produced striking gains in efficiency of road use and quality of urban life

rate of 391 per 1,000 inhabitants. Zurich's transport strategy is based on reallocating road space from private vehicles to public transport and provid-ing incentives to use public rather than

private modes of transport. Travelcards cost SF7.20 (\$5.90) a day, or SFr70 a month, services are frequent

- up to eight trams an hour on 13 routes - and the timekeeping is phe-nomenal. Nowhere in Zurich seems more than a 15-minute ride from the city centre. Computerised traffic lights and rigorous enforcement of segregated traffic lanes mean the trams always have right of way over private vehicles.

system is particularly encouraging in another respect - it suggests that OECD economists visiting Switzerland's financial capital have been taking the tram rather than wasting taxpayers' money on Zurich's expensive



Thinker, tailor, screenwriter, sailor, rich man, foreman, businessman or comic? (It must be something in the water.)

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A'pool of talent

# Peregrine in Vietnamese tax probe

By Jeremy Grant in Ho Chi Minh City

Authorities in Ho Chi Minh City yesterday accused the Vietnam-based unit of Peregrine Investments Holdings of illegal trading and tax avoidance, six weeks after raids on its offices sent jitters through the city's foreign investment community.

The move drew a sharp denial from Peregrine, an investment house listed on the Hong Kong stock exchange. The company has been under scrutiny since inspectors arrived without warning at its confiscating documents as part of an company probe that is still

for the city's powerful people's \$345,000. Mr Son said.

committee - or municipal council - claimed the investigation had revealed that Peregrine's Vietnam operation had abused representative office status by using 13 local companies as business fronts for trading purposes.

Mr Son said the investment house had "violated our law" by using these companies. which he alleged had been created by Peregrine as trading vehicles.

Many foreign investors set up representative offices in Vietnam as a first step before investing money but such offices are banned from doing business. Peregrine had also imported

Japanese-made Honda cars, arranging invoices in such a Mr Nguyen Son, spokesman way as to avoid taxes worth

Peregrine Capital Vietnam cer, denied any wrongdoing the company and its manages not been charged with any and said the company was conment was co-operating fully its contract of the company was conhas not been charged with any

Mr Son declined to say when the investigation would be completed.

Raids on Peregrine's offices sent jitters through Hanoi's foreign investment

A spokesman for Peregrine in Hong Kong, Mr Alan Mer-

ducting its activities legally, under an "investment advisory licence" status, granted to it by the Vietnamese authorities.

Mr Mercer said Peregrine's representative office licence status was understood to be

"As far as we are aware, we are operating legally in Vietnam and have not avoided duly payable taxes. What we're doing is within the terms of our licence," Mr Mercer said. . He added that the question of car tax was a matter of a dispute over import duty, which can be an issue with

Vietnamese customs, Mr Mercer said the people's committee had not informed Peregrine of any of the results of the investigation so far, but ment was co-operating fully in providing information that was

Mr. Son declined to say how long Peregrine Capital Vietnam had been under surveillance, saying only that inspectors had begun their investigations after separately making inquiries at other Vietnamese companies.

They had been following the trading activities of other businesses, who were showing signs of improper trading, Mr Son said.

No other foreign companies were being investigated, Mr Son said, adding that there were no plans to launch a campaign of inspections of the over 1.000 foreign representative

lars in local banks and led many people

to immediately convert their kyat

But some businessmen and govern-

ment officials are wary of this theory

because it relies on the questionable

assumption that the use of the banking

system is widespread. Instead, they argue, the signing early this month of a

\$300m contract with a group of local

investors to improve the main Rangoon-

of several million dollars was called for

and local investors had to scramble quickly to buy up most of the outstand-

Trading companies have pinpointed a

different problem for the kyat: conges-

tion at Rangoon port, where one of its

two main cranes is broken. This has

caused a fall in export revenue and thus

lowered the supply of dollars on the

market. Normally, this would be offset

by a corresponding decline in imports, but on Monday an auction of unclaimed

goods, including 62 new cars, was held,

thus creating a sudden demand for dol-

Mandalay highway is to blame. One well-placed government employee says an immediate signing fee

ing dollars on the market.

savings into US dollars.

# Taiwan gives over telecom

By Laura Tyson in Taipei

stakes

Taiwan will permit foreign companies to take an effective stake of roughly 60 per cent in domestic telecommunications ventures, in a broad "reinterpretation" of legislation in January capping foreign shareholdings at 20 per cent.

The change was agreed under heavy pressure from Washington, which is now holding telecommunications talks with Taiwan authorities

Under the new interpretation, foreign companies wanting a larger stake in common-carrier service ventures can circumvent the 20 per cent ceiling by establishing joint ventures with local companies as long as the foreign partner holds no more than 49 per cent. Such joint ventures are legally considered Taiwanese, not foreign.

Taiwan's legislature in January a reform package lifting a government monopoly on telecommunications services and opening the market to

foreign participation.
At that time, foreign telecommunications concerns were disappointed when, in a last-minute reversal, legislators reduced a celling on foreign stakes from 83 per cent to 20 per cent. Taiwanese authorities refused to revise the telecommunications law. designed to protect a strategic and lucrative industry, but have compromised by allowing it to be interpreted more

broadly. Separately, the US has also demanded that Taiwan scrap a profit-cap rule, but no agreement on the matter has vet been reached.

Taiwan laws set a cap of 8.5 per cent to 11.5 per cent on profits earned by telecom operators. The talks are neduled to end tomorrow.

ASIA-PACIFIC NEWS DIGEST

# Inflation 'to fall in Australia'

The Reserve Bank of Australia believes the country's annual inflation rate will fall back into the 2-3 per cent target range during the second half of this year, it said yesterday. The last reported figures, for the March quarter, showed a headline rate of 3.7 per cent.

In its latest bulletin, the bank, the country's central monetary authority, said its optimism was based partly on a moderation in the growth of wages, a key area of concern in recent months. "The majority of economic indicators point to modest growth in activity overall, with no general pressure on labour markets or capacity constraints".

Australia's federal government is to axe its entire regional development department, which was combined with the transport department after the March 2 election, in its efforts to achieve A\$8bn (\$6.4bn) spending savings over the next two years. The decision will mean the loss of 220 jobs. Also, Mr John Sharp, transport minister, said his department would save A\$150m next year by scrapping the "Better Cities" urban renewal programme, introduced by the previous Labor Nikki Tait. Sydney

### Visa sales increase in Asia

Visa International said yesterday its sales in Asia, outside China, rose 26 per cent to \$25bn in the first quarter of calendar 1996, against the same period last year. Sales in China for the year ending March 1996 were \$50n, but Visa gave no percentage rise over the previous year. The company said its annual Asia volume, including China, rose 27 percent to \$101.1bn. Its overall share of the international credit card market in Asia was nearly 60 per cent. Visa saw strong growth in the region, with 90.4m Visa-branded credit cards on issue by March, 21 per cent up on a year earlier. Reuter, Singapore

### China general eases HK fears

The commander of China's future garrison in Hong Kong yesterday sought to ease worries about the presence of People's Liberation Army troops, assuring the territory his forces were "civilised". Major-Gen Liu Zhenwu's comments came during a three-day visit to Hong Kong, the first by a senior PLA officer, in preparation for next year's transfer of sovereignty from Britain to China. "We will tell our compatriots in Hong Kong the nature and objectives of the PLA. We will use action to explain our image as a civilised army," Gen Liu added.

The visit by Gen Liu, following a visit to southern China by eaders of the British forces stationed in Hong Kong, appeared to create a favourable impression. An editorial in Ming Pao. the independent daily newspaper, said Gen Liu's visit marked the start of a new era. John Ridding, Hong Kong

### Tokyo store sales rise

Sales at department stores in the Tokyo area rose for the sixth straight month in June due in part to favourable weather, the Japan department stores association said. Sales at the 29 stores operated by 14 member-companies grew 1.4 per cent from a year earlier to Y199.4bn (\$1.8bn). The June growth was bigger than the 0.5 per cent increase recorded in May, it said. The association attributed the growth in the reporting

month to favourable weather conditions. There were also five weekends in June, one more than the same month last year. which helped to boost sales. Corporate demand remained stagnant, and demand related to the summer gift season was also sluggish, the association added.

# Kyat tumbles in troubled Burma

community

Ted Bardacke in Mandalay examines the reasons for the currency's sharp fall

to a foreign visitor as darkness falls in the once-heavenly city of Mandalay in the Burmese heartland. He thrusts forward a few worn banknotes and, lighted cigarette still in his mouth, whispers: "Change money, change

Nervousness over political instability and the psychological impact of the withdrawal of western companies from the country may be part of the reason why the monk has to provide a lot more Burmese kyat for the tourist dollar than he did just a few months ago. Last Friday the kyat suffered its second sizeable depreciation in as many months. Although the official rate remains six kyat for one US dollar, the market rate fell from a two-year plateau

of 125 to the US dollar to about 145 in

late May and then again to yesterday's

This fall has followed piecemeal liberalisation of the foreign exchange market, which earlier this year eliminated the two-tiered system for everything except book-keeping and certain transactions with the government. Licences have been issued to a host of money changers, who now do a brisk and open trade in US dollars and Thai baht.

That the official rate is maintained at all is a recognition by Burmese authorities that they do not have the hard currency to back up a fully liberalised

¬ he maroon-robed monk sidles up exchange regime. Despite a slight increase in international reserves last year, in fiscal 1995-96 Burma's current account deficit more than doubled to over \$700m, according to recently

released figures. Burmese financial authorities say they will scrap the two-tier system com-pletely once concessional funds from the international financial institutions, like the World Bank and the International Monetary Fund, are made avail-

But with such monies still held hostage to political fortune and government purchases unaffected by market movements, authorities are letting the market rate find its own level.

Worries about political stability in a country whose leadership has been widely condemned by the western world is the most common explanation among foreign exchange dealers for the rapid decline of the kyat.

There has been increasing pressure for world-wide sanctions against the military backed junta which in May detained over 200 parliamentarians. Although most have been released the west has grown increasingly irritated at the failure of the regime to reach an accommodation with Ms Aung San Suu Kvi. whose National League for Democracy won the 1990 elections. In the past few months there has

been a growing western consumer boy-



Aung San Sun Kyi: hard times

cott of companies which invest in Burma and this has led to Carlsberg and Heineken withdrawing from brewery projects there.

Foreign exchange dealers say that when the government removed a 10 per cent tax on foreign currency deposits for Burmese citizens last month, this ended the penalty for holding US dol-

lars, No one can explain with absolute confidence why the kyat has fallen so fast

in this shallow market but for the monk one thing is clear. "Lots of things to buy but this no good," he says point-

### **NEWS:** WORLD TRADE

# Pakistan to crack down on child labour

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Pakistan has ordered local authorities to raid factories employing children in its latest effort to deflect mounting international criticism and threats of trade sanctions for its labour practices.

Prime Minister Benazir Bhutto has also asked officials and the human rights ministry to look into the issue of child labour and take remedial

Pakisten was heavily criticised in Auril last year after the lobal Masih, who was shot

Suggestions that carpet makers had plotted to kill him were subsequently discredited and an investigation by the Human Rights Commission of Pakistan (HRCP) concluded that his murder was unrelated to his campaigning activities.

over bonded or slave labour prompted growing demands by western governments for Pakistani official said: "Never before have we had so many that exports were not manufactured by children working as labourers

The incident prompted fears of repercussions affecting carpets and other exports suspected of being produced by bonded or child labour. Labour Minister Ghulam Akbar Lasi has asked the com-

merce ministry to launch, within a month, a special mark scheme for caroets and footballs to certify that no child labour was used. A similar scheme will be launched for child footballs following a recent country."

man Joseph Kennedy said a quarter of the estimated 35m footballs made each year in Pakistan were stitched together by children working eight to 12 hours a day and

earning as little as six cents an Mr Mian Habibullah, chairman of Pakistan's export promotion bureau, said recently: "Having labour laws is not enough. We have to enforce these laws to show the world that we are not encouraging child labour in

departments raided 7,003 businesses between January 1995 to March 1996, the labour min-The authorities prosecuted

2,538 employers of whom 395 were convicted and fined under child labour laws. Mr Lasi said he had asked

the authorities to ensure that violaters were sent to prison and not just fined. Punishment can range from a fine of Rs50,000 (\$1,428) to five years in prison, he said. The HRCP claims 10m chilkilns, farms, carpet manufacturing, workshops and restaurants, working the same hours as adults, but getting paid

much less. The government does not accept the unofficial estimates of the child workforce and has ordered its own study jointly with the International Labour

Organisation. In 1990, Pakistan ratified the UN Convention on the Rights of the Child that prohibits child labour, but legal experts say legislation needs to be enacted to implement it.

# dren out of a population of Foreign telecoms operators eye Malaysia

Eight players will compete where the government said three would be ample. James Kynge reports

the unexpected, it was a surprise when, early this year, the government said the telecominunications market was overcrowded and insisted that severaj operators should merge. When it reversed that policy this month it was another bombshell, Suddenly eight players are again set to com-

pete in an industry where the movernment had maintained that three would be ample. Caim is now returning after a week in which investors and analysts have reviewed their forecasts. Most observers regard the policy reversal as a blow to Telekom Malaysia, the country's largest listed company. The state-run former monopoly will have to contend with a constellation of smaller niche players each attacking lucrative semients of the marker. To make matters worse, several among Telekom's compotitors have recently forged

customers overseas in truth, nobody expects Telekom will lose its dominant position or fail to record healthy rises in revenue. But the company is likely, nowover, to suffer significant narrowing in operating margins and a fall in market share in its fixed-line business, It may also have to fight a pricing bat-

alliances with foreign partners

able to supply expertise and

alaysia's telecoms operators are growing accustomed to "Telekom is up against inter-

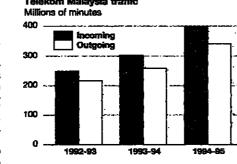
nationally experienced players who are very aware of how to access corporate business, parneularly from multinationals. said Mr Neil Juggins. Asia telecoms analyst with Paribas Capital Markets in Singapore. Latest foreign company to

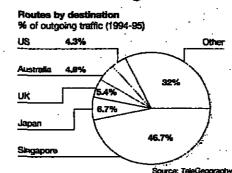
enter the fray was Swiss Telecom. Switzerland's national operator. Last Thursday it bought a 30 per cent stake in Mutiara Telekom for M\$710m (\$255m). The tie-up represents a direct challenge to Telekom in the international telephony market because with Swiss Telecom's help Mutiara stands a good chance of finding overseas customers to put its new satellite earth station to use.

Through its alliance with the international carrier Unisource. Swiss Telecom hopes to strike agreements with overseas telecoms companies to use Mutiara's satellite facilities for calls not only to Malaysia but also to other countries in the region. Further competition for the international direct dial (IDD) market is expected from Binariang, an unlisted com-

pany 20 per cent owned by "Bahy Bell" US West. The owner of Malaysia's only communications satellite, Binariung plans to start beaming down 20 channels of television later this year. But analysts also expect that some satellite

Malaysian telecoms traffic: how much and where it goes





capacity will be reserved for

telephony. Perhaps the most formidable opponent for Telecom is Technology Resources Industries, in which Deutsche Telekom took a 21 per cent stake in June for an estimated US\$570m. The German company plans to help TRI develop its international business by forging relationships in much the same way as Swiss Telecom hopes to do for Mutiara. Deutsche Telekom is the biggest telecoms company in Europe and analysts said it may be able to field considerable overseas business.

¬he IDD business is the most profitable segment of the market and typically yields operating margins of above 40 per cent. With annual growth predicted at above 20 per cent for the next five years, there is a good chance that all operators will find enough revenue to sustain themselves. But it seems likely that Telekom Malaysia, which

derives 25 per cent of its revenues from IDD calls, will lose market share.

In the domestic fixed-line business the story is similar. Time Telecom, one of the companies which the government had said it wanted to see merged, may develop into a dangerous competitor for Telekom. Part of the powerful and politically well-connected Renong Group, Time has spent M\$2.2bn over the past two years laying 4,000km of fibreoptic cable. Although it has only 5,000 subscribers so far, it has begun successfully target-

ing large corporate customers. "Competitors of Telekom may take 20 per cent of the IDD and domestic trunk call market by the year 2000," said Mr Hoo Han Kiyong, telecoms analyst at J.M. Sassoon and Co in Kuala Lumpur. Their share now is less than 5 per cent. Just days after the government announced the reversal of its policy. Time outbid Telekom to acquire Sapura Digital,

a local cellular operator. The alliance will allow Time to use Sapura's radio equipment to reach clients in areas where laving cable would not be economic. It also gives Time a licence to operate in the fast expanding cellular market.

About 1m among Malaysia's 20m people are mobile phone subscribers but analysts predict 5m users by the year 2005. The business is currently dominated by Celcom, a subsidiary of TRI, which has built up a 70 per cent market share. Telekom has launched an

aggressive drive to capture mobile phone customers and this is expected to win considerable success. But competition will be tough - Mutiara, Celcom and Time are all about to begin new sales promotions.

Even while it fights competition on all sides. Telekom has to fulfil its obligation as the provider of a universal service to all parts of Malaysia, including remote and unprofitable areas. Under its own plan, the company hopes to increase the number of lines it operates to 5.3m by the end of 1998, from a 3.5m now. This and other planned expansions are expected to require capital expenditure of between M\$3bn and M\$3.5bn annually over the next three years.

Analysts said the company, which posted a 15 per cent rise in pre-tax profits to M\$1.93bn in 1995, may decide to raise its capital expenditure now that government policy on consolidation has been reversed.

A spokeswoman said the company could not comment on its future strategy. But if Telekom Malaysia does decide to raise spending, it is likely to do so before January 1 1999 access for all competitors to its network.

But although Malaysia is keen to see lower telecoms tariffs as a means to attract foreign investors, the government will not allow one of its most profitable companies to be run into the ground in the process. Two surprises last week went in Telecom's favour - the company was awarded the country's second Internet provider's licence and given a concession to lay the "backbone" infrastructure for a grandiose scheme to create a 600 sq km "Multimedia Super Corridor" for software and information

processing companies. The value of both awards is somewhat difficult to judge but if Malaysia is successful in remaking itself as an information technology hub for southeast Asia, then Telekom will be best positioned to reap the

WORLD TRADE NEWS DIGEST

# power contracts

China yesterday awarded two nuclear power plant contracts to foreign companies. Framatome, the French state-controlled nuclear reactor builder, signed an agreement to produce parts for 1,000MW plants and the Korea Heavy Industries and Construction company won a \$150m contract from China National Nuclear Corporation to supply nuclear power plant facilities. Framatome and the Eastern China Electric Group in Chengdu, capital of south-western Sichuan province, will co-produce heavy machine parts, such as steam engines. for Guangdong's No.2 nuclear power plant.

 It is the first time the Chinese enterprise has participated in manufacturing heavy machine parts for nuclear power plants with a capacity of 1,000MW. The two sides also concluded a long-term co-operation contract to develop jointly nuclear power plants in China. Foreign Staff

### US resumes insurance talks

Japanese and US negotiators yesterday resumed talks on the insurance sector in an effort to settle their bilateral dispute by a July 31 deadline. At the centre of the dispute is Japanese life insurers' entry via subsidiaries into the so-called third sector market for accident and long-term illness insurance, where foreign insurers are strong. The US says Japanese subsidiaries should not be allowed to enter the sector until the rest of the insurance market is sufficiently deregulated to allow fair competition. Insurance is one of four areas of bilateral dispute between Tokyo and Washington, the others being

semiconductors, aviation and photographic film. Reuter, Tokyo BMW's India venture approved

India yesterday approved a joint venture between BMW of Germany and Hero of India to build cars. BMW and the Hero group, controlled by the Munjal family, signed a memorandum of understanding in March before sending the proposal to the government for approval. General elections and a change of government earlier this year delayed the approval. BMW will control 51 per cent of the venture, which will be called BMW India. One of Hero group, Hero Motors, is India's largest manufacturer of motorcycles and enjoys a technology tie-up

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with BMW to make 650cc machines.

The initial capacity of the car plant will be 10,000 units per year. The plant will be located at Noida, near New Delhi. where Hero makes its motorcycles. The company is expected to make the BMW 5-series semi-luxury cars. Reuter, New Delhi

■ British Aerospace Australia, part of the British defence group, has won a three-year contract to operate and maintain Australia's national broadcasting network in South Australia and the Northern Territory.

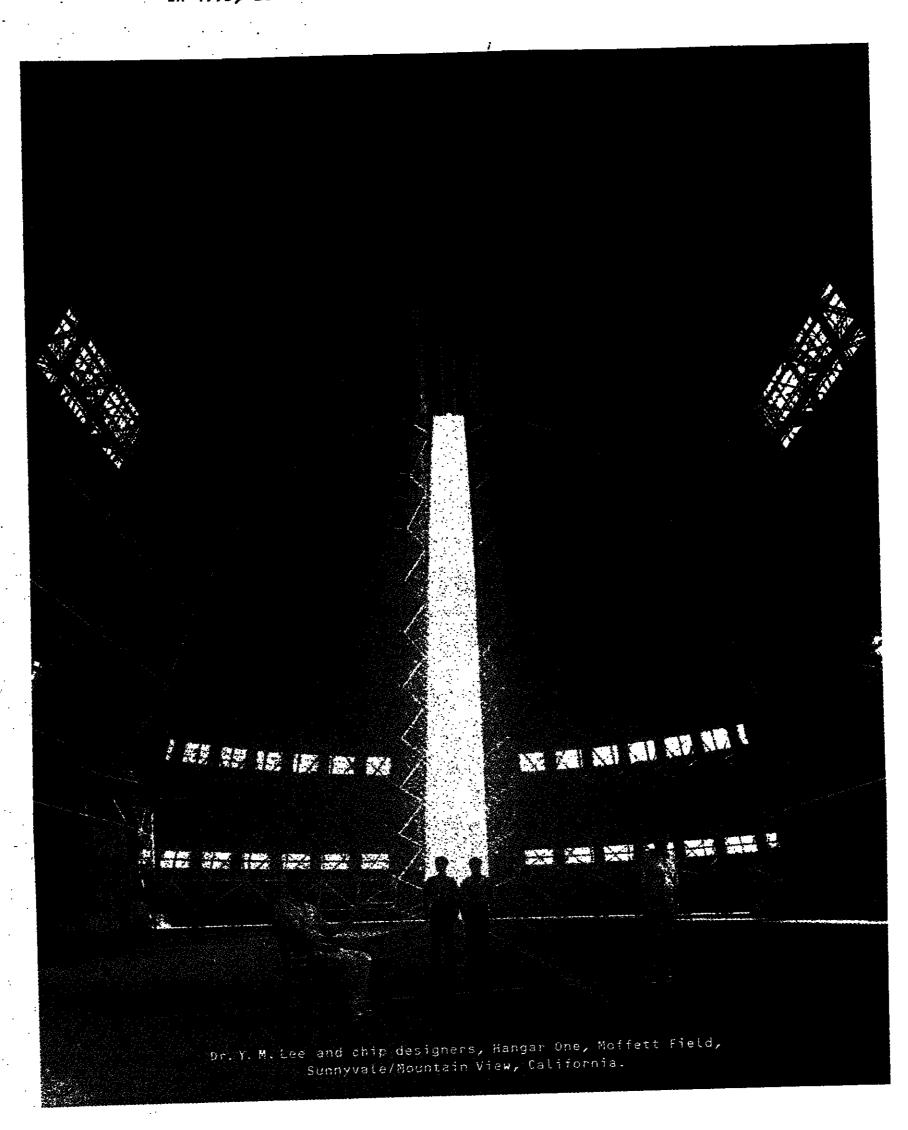
The agreement, worth A\$19m (US\$15.2m), is a sub-contract arrangement with Television New Zealand, the state-owned broadcaster. TVNZ, via its broadcast communications unit, won a A\$50m contract to run the Australian network in South Australia, Queensland and the Northern Territory in April The contract covers all facilities used to transmit programmes put out by the Australian Broadcasting Corporation and SBS -Australia's public broadcasting networks - on tadio and TV, and international high frequency services. Nikki Tait, Sydney

■ Alcatel Alsthom of France won a FFr200m (\$38.75m) contract with the Brazilian company Nova Dutra to supply an electronic highway traffic control system. The systems will be installed on behalf of Nova Dutra, a concessionaire of the highway between Rio de Janeiro and São Paulo. Installation will be completed by next year. Stephen Fidler, London



FINANCIAL TIMES THURSDAY JULY 18 1996

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We're active in many other areas of business too, including biotechnology, high-definition television, merchant banking, high-speed fiber-optic cable, and much more.

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# EU unites over US measures against Cuba

By Guy de Jonquières, Stephen Fidier

European Union officials said yesterday they would continue to work on responses to US anti-Cuban legislation, in spite of President Bill Clinton's decision to delay court actions against foreigners dealing in Cuban properties confiscated from Americans.

They said Mr Clinton's move had not removed basic objections to the Helms-Burton legislation or weakened their opposition to US attempts to impose its law on the rest of the

Sir Leon Brittan, the EU trade commissioner, said the president's decision to postpone for six months the lawsuits against foreigners "trafficking" in confiscated Cuban

to the concerns of US trade partners. He said he was particularly concerned about two aspects of the law. Mr Clinton's decision had had no effect on Title IV, under which directors, shareholders and executives of

companies investing in confiscated

Cuban assets are barred from the US. Furthermore, although the right to sue has been postponed, liabilities can still be incurred by foreign companies dealing with Cuba. The president can reinstate the right to sue at any time and after November 1, suits would then be filed immediately.

According to Mr John Coogan, a Washington lawyer, this ensures that the powerful disincentives to investment in Cuba, and to other business in Cuba, will continue".

One unexpected effect of the legislation has been to unify the often quarobservers say they have rarely wit- the EU needs to demonstrate clearly nessed greater solidarity, or stronger demands for immediate action among EU foreign ministers than was dis played at this week's council meeting in Brussels, just before Mr Clinton announced his decision

At an operational level, the 15 member states and the Commission are also co-ordinating activities closely through a special task force composed of representatives from their embassies in Washington. How far this unity will translate into agreement on the next phase of the EU campaign should become clearer today, when member states' ambassadors to the EU meet in Brussels.

Though Mr Clinton's action has lowered the political temperature, per-haps until after the US presidential elections in November, several govthat it is committed to keeping up the pressure on Washington.

Their resolve is likely to be stiffened by the US Senate's approval on Tuesday of draft legislation providing for sanctions against investors in Iran and Libya which are even tougher than those already passed by the House of Representatives.

The planned legislation could have a much bigger economic impact on European companies than the Helms-Burton Act. The EU has already warned congressional leaders that it will react strongly if the bills become

The Senate version of the Iran-Libya bill contains two important changes in the section dealing with Libya, at the insistence of Senator Edward Kennedy. One would require

companies rather allow him discretion over sanctions. It is not clear yet how the differences in the two versions will be resolved.

EU ministers have instructed Sir Leon to draw up a list of retaliatory measures against Helms-Burton, However, it is unclear which of them are likely to be put into effect, or when.

Some EU policymakers argue that it should quickly introduce reprisals, such as visa restrictions on US corporate executives, to signal its displeasure with US policy. Another option would be to hold retaliation in reserve until February, when the White House will decide whether to renew its moratorium on Helms-Burton lawsuits. EU members are also discussing a parallel initiative - as proposed by the US - that would bring closer together the US and European posi-

# Peru to seek Paris lines up Club debt to advise accord

Mr Jorge Camet, Peruvian economy and finance minister, will today present his country's case for restructuring its \$9.25bn debt with the Paris Club group of bilateral sover-

eign creditors.
The Parls Club accounts for around 28 per cent of Peru's total debt stock, which was revised sharply upwards recently to \$32.45bn in advance of a "Brady" deal with commercial bank creditors. Of Peru's 16 bilateral creditors, four account for more than two-thirds of the total: France with \$1.82bn. Japan \$1.76bn, the US \$1.49bn and Italy \$1.17bn.

Since its last agreement, Peru has paid the Paris Club \$329m, \$354m and \$403m in 1993, 1994 and 1995 respectively. Peru's basic objective in Paris will be to ensure that servicing for the next three years is pegged around current

This aim is almost certain to be met. It corresponds to the payments schedule already sanctioned in Peru's letter of intent with the International Monetary Fund, which in essence contains the country's official economic programme for 1996-98. Approved by the IMF board on July 1, the letter guarantees the Fund's backing for Peru in Paris.

However, Peru has a more ambitious proposal - a defini-tive restructuring of obligations as from 1999. This would involve all pre-1983 debt with the Paris Club, estimated at around \$6.5bn or 70 per cent of the total. Peru would seek to reschedule its debt over 25 years under conditions similar to those recently granted to Russia.

Current annual payments of around \$400m already represent a substantial concession by official creditors. Without an extension of the relief granted in 1993 - when Peru returned to the international financial fold after a decade in the wilderness – annual servi-cing on Paris Club debt alone would top \$1bn.

That, however, would be equivalent to around 20 per cent of export earnings and similar to total current debt service payments.

Despite high international \$8bn, a record), and a steadily growing economy, Peru's real capacity to pay its creditors is still limited. From next year, it will have to include an additional \$300m a year for the soon-to-be-signed Brady

restructuring plan. Mr Camet believes servicing levels contemplated in the letter of intent are realistic, however. Peru expects another \$6bn in income from privatisations by 1998, with associated investment commitments around the same again.

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By Jurok Martin in Weshington

Mr Bob Dole is being bombarded with advice on how to rescue his faltering presidential campaign as each day seemingly brings worse news. The advice ranges from demands by conservatives that he embrace an ambitious taxcut programme as the centrepiece of his message, to the-more prosaic counsel that he stop engaging in the off-the-cuff repartee with the media that has produced so much

recent controversy.

The latest polling jolt came from the Harris organisation. It found President Bill Clinton up by 53-31 per cent among registered voters, a 5 point improvement in a month. Mr Clinton was ahead by 25 points among those most likely to vote. The poll is the third national survey this week to put Mr Clinton up by at least 20 points, a significantly larger edge than recorded in June. All three put support for Mr Ross Perot of the Reform party in the mid-teens, meaning that Mr Dole is competing with the 1992 independent candidate for the anti-Clinton vote.

Mr Dole appeared over the last 24 hours to be heeding the advice of campaign aides to cut down on his exchanges with the media. A "unity" lunch on Tuesday with all the defeated Republican primary challengers except Mr Pat Buchanan found the candidate ducking all questions.

It was left to Senator Dick Lugar of Indiana to comment afterwards that Mr Dole "may not have so many incidental moments coming and going

with reporters".

But his campaign's strategic message, particularly on economic policy, remains in its formative stages, especially on the tax-cut issue. Mr Dole's reputation is as a "deficit hawk", more interested moving towards a balanced budget than engaging in fiscal experimentation in the pursuit of growth.

But restless supply-side conservatives, led by Mr Jack Kemp, former New York congressman and housing secretary, are seeking to force Mr Dole's hand. Mr Kemp wants to convene an "economic summit" of Republicans on Capitol Hill. tentatively set for July 23, in cuts would be given a full hear-

He is seeking the support of the Republican congressional leadership – Senator Trent Lott, the majority leader, and Mr Newt Gingrich, House Speaker. While not wishing to embarrass Mr Dole in public. both may be tempted to conclude that preservation of their majorities in Congress may depend on the adoption of radical policies very different from those entertained by their party's presidential candidate.

# Cuban economy 'will survive US sanctions'

Washington's Helms-Burton law will not stop growth, Vice President Carlos Lage tells Pascal Fletcher

owever tightly President Bill Clinton turns dent Bill Chinon the the screw of trade sanctions against Cuba, the island's economy will not only survive but continue to recover and grow, said Cuban vice president Carlos Lage.

However, he acknowledged that the Helms-Burton law, introduced by Washington in March, complicated the prospects for economic recovery by slowing the pace of new foreign investment and increasing the financial cost to Cuba of external financing.

Mr Lage said in an interview this week that an improved 1995/96 sugar harvest and unexpectedly good results in tourism and nickel production had helped Cuba to achieve 9.6 per cent growth in gross domestic product in the first six months of this year compared with the same period of

"Even if the [Helms-Burton] law is applied with all possible force, I believe the nation has the capacity to maintain its recovery," said Mr Lage, who is seen as Cuba's top economic strategist.

He believed the economy would fulfil, and maybe surpass, a projected GDP growth target for the whole year of 5 per cent. This would mean economic recovery gathering pace, following announced growth of

AMERICAN NEWS DIGEST

starts increase

Construction starts on new homes rose in June, the Commerce

Department said yesterday, adding to evidence of US economic

increased 1.3 per cent to a seasonally adjusted annual rate of

vibrancy despite fears of rising interest rates. Total starts

1.48m units in the month, after retreating a revised 3.3 per

The housing industry had enjoyed a surprisingly healthy period until May, when the decline in starts appeared to

on single-family homes increased 7.4 per cent to 1.23m last

More American adults smoke

efforts to stamp out the habit are failing. In spite of

per cent the year before.

Latest figures on cigarette smoking in the US suggest that

widespread anti-smoking sentiment and increasingly tough restrictions on smoking in public places, the proportion of

adults who smoke rose to 25.5 per cent in 1994, up from 25.0

US health officials have set a target of cutting the proportion of smokers to 15 per cent of the adult population by

the end of the decade, but it is becoming clear they will fall far

short of that goal. After declining rapidly in the previous 25

per cent in 1990 and has remained at about the same level

years, the proportion of adults who smoke bottomed out at 25

since. The Centers for Disease Control and Prevention, which

reports the statistics, said nicotine addiction was the main

reason why people were not giving up. It also blamed the fall in cigarette prices that followed a price war in April

The Jamaican government has taken over the island's fifth

largest commercial bank, saying that it was poorly managed

and the Central Bank could no longer support it. The Century

National Bank, which has been having liquidity problems for

the past year, had received advances from the Central Bank totalling J\$4.32bn (US\$125m) up to last week, said Mr Omar Davies, the finance minister. This level of exposure of the

companies - Century National Building Society and Century

National Merchant Bank - and the bank's 49 per cent stake in a resort hotel. The deposits of Century National's 50,000 clients

have been frozen for 60 days. Mr Davies dismissed opposition

charges that the takeover threatened the banking system. "It

is the considered view that the temporary closure of Century

National Bank poses no systemic risk," the finance minister

Move to protect key networks

The Clinton administration has urged US industry to join a

Government and industry must mount the equivalent of the "Manhattan Project" that developed the first atom bomb

during the second world war to protect critical infrastructure,

panel on Tuesday.

President Bill Clinton set the stage for the move on Monday

Mr Jamie Gorelick, deputy attorney general, told a Senate

with an executive order setting up a panel to recommend

water supply, and gas and oil storage and transport. The

federal office building.

measures to safeguard telecommunications, power systems,

administration began to focus on the issue after the April 19 1995 bombing that killed 168 people in an Oklahoma City

sweeping drive to protect computer networks and other

modern lifelines from attack by terrorists and others.

The government has also taken over two associated

Jamaica takes over bank

Central Bank could not continue, he said.

Richard Tomkins. New York

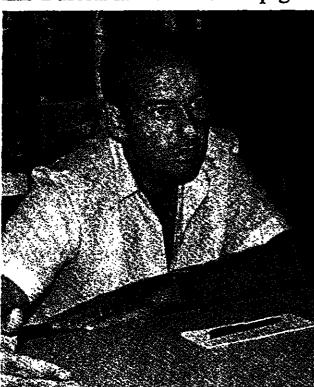
Canute James, Kingston

Reuter, Washington

demonstrate that rising interest rates were finally beginning

to take their toll. The department said that construction starts

month after falling 5.6 per cent in May. Housing starts rose in the west and south and dropped in the north-east and



Carlos Lage: 'The law cannot halt the flow of investment' Admis Ad

2.5 per cent and 0.7 per cent in heavily in the first-half 1996 The seasonal concentration six months of the year weighed

growth figure. But GDP still remained yet left behind the severe had been signed since the already forced to obtain under recession triggered by the collapse of trade and aid ties with the former Soviet bloc.

Mr Lage said that, regardles of how the Helms-Burton law was applied, its biggest evil was the way it sought to intimidate foreign investors in Cuba by threatening US sanctions against those judged to be "trafficking" in assets confis-cated after the 1959 revolution. Mr Clinton on Tuesday sought to placate US trading partners by imposing a moratorium of at least six months on the filing of suits under the law, but the threat of eventual

Mr Lage ruled out direct compensation settlements with individual US claimants to nationalised properties, saying Havana would prefer an overall government-to-government solution with Washington.

Cuba was pleased with the intense international condemnation that had greeted the US legislation, led by the EU, Mexico and Canada. Mr Lage said foreign companies operating on the island had been 'practically unanimous" in their determination to stay. We believe that the law can-

not halt the flow of investment... It might affect, limit or delay it, but not halt it." he of the sugar harvest in the first depressed from 1989 levels, said. He cited the fact that 25 showing the economy had not foreign investment projects

introduction of the US legisla-tion, bringing the accumulated total in Cuba to around 240. Asked about reports that

some companies had withdrawn, Mr Lage replied: "There have been no withdrawals among those who are investing in Cuba."

On the reported pull-out by Mexican cement giant Cemex, he said another institution, not Cemex, was the real partner in a cement-producing venture in Cuba. "The joint company is continuing to operate and the investment in cement is continuing," he said.

But some financing flows had been interrupted as some foreign banks and companies moved to protect themselves by changing the way they operated in Cuba. This was the case of the ING Group of the Netherlands, which announced earlier this month that it would not continue a financing contract for two Cuban sugar-growing provinces. Mr Lage said that "by mutual agreement", ING had discontinued this contract but was maintaining its financing

operations in Cuba. Protective restructuring moves prompted by the Helms-Burton law could effect the timing and final cost of foreign credits, which Cuba was

onerous short-term, high-interest conditions because of the US embargo, Mr Lage said.

"Every measure that increases the US hostility against Cuba carries with it a greater cost for our nation. It raises the 'Cuba risk' factor and interest rates and makes negotiations more difficult," he added. This financing squeeze was a big difficulty for Cuba's recovery efforts.

Discussing the economy, Mr Lage said the 1995/96 sugar harvest produced 4,445,000 tonnes. Although this was 55,000 tonnes short of the official target, it still bettered by more than 1.1m tonnes last year's disastrously low crop of 3.3m tonnes.

Tourism, the fastest growing new sector, had also performed strongly in the first six months of this year. Tourist arrivals reached 494,000, an increase of more than 46 per cent over the same period last year. Over the whole year, the tourist sector was expected to better its projected annual growth target of

25 per cent. Nickel production up to June had increased by more than 30 per cent to 27,400 tonnes, indicating the island was on track this year to beat the 1989 production record of 46,592 tonnes. Industry, excluding sugar,

# Second minister quits in Argentina

in Buenos Aires

Argentina's opposition has rounded on President Carlos Menem after the second ministerial resignation in a week, claiming the departures were a sign of instability and corruption in the administration.

Mr Oscar Camilión, defence minister, who has been under pressure for allegedly permit-ting illegal arms sales to Ecuador and Croatia, handed his resignation to Mr Menem just hours before the president left

Mr Menem said he would consider the resignation while away and would not name a

replacement until his return The departure of the defence minister follows last week's resignation of Mr Rodolfo Barra as justice minister after a magazine revealed he had belonged to a neo-Nazi group in his youth.

Mr Barra admitted his regret at having joined "anti-semitic" organisations. However, analysts played

said the departures of both men were necessary and gave Mr Menem "the opportunity to improve the image of his gov-

Mr Camilion has for over a vear denied knowledge of, or involvement in, the sale of rifles and 75 tonnes of ammunition to Ecuador in February 1995. The sale of Argentine arms took place at the height of Ecuador's border conflict with Peru, a traditional ally of Argentine in regional and

Argentina's state-run arms manufacturer, Fabricaciones Militares, had made sales to Croatia despite a UN-imposed arms embargo, and that the arms could have been used against Argentina's own peacekeeping troops in the former

Yugoslavia. Mr Camilión gave up his fight to retain his job after a federal judge ruled there was a sufficient evidence to question the defence minister over a possible cover-up of the illegal

# The city the US recovery left behind Surrounded by a national economy marked

n theory, New York City should be booming. The US economy has experienced a prolonged period of growth, wall Street, in spite of recent setbacks, has been enjoying one of its longest-ever bull markets, and the weak dollar has brought an influx of highspending tourists.

Instead, New York is facing its worst financial difficulties since its near-bankruptcy in the 1970s. Decaying infrastructure, run-down schools and empty office blocks are among the physical signs of weakness in the local economy, but the most telling symptom is the city's struggle to balance its budget. Employment growth is so weak, and the real estate market so moribund, that taxes on income and property cannot keep up with the rising cost of providing public ser-

Mayor Rudolph Giuliani, New York's first Republican mayor in a generation, came to office in January 1994 pledging to put the city's finances in order. Since then, he has slashed more than 20,000 jobs from the municipal workforce. cut welfare rolls by more than 120,000, and hacked away at public services.

Yet in spite of the cuts, New York City's spending is forecast to grow from \$32.7bn in the current year to \$35.8bn by the year 2000. The city is required by law to balance its books: but with revenues almost static, it is looking at a deficit that, even on the most optimistic assumptions, will have reached nearly \$3hn by the end of the decade. Reflecting the city's financial

woes, Standard & Poor's, the

US credit rating agency, last year lowered New York's debt

rating to Triple-B-Plus, citing

by rapid growth, New York faces its worst financial difficulties since its near-bankruptcy in the 1970s, writes Richard Tomkins

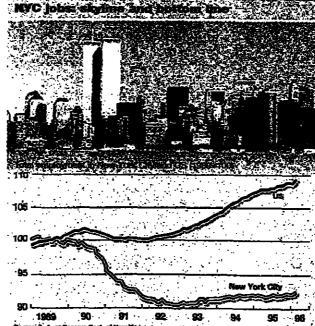
long-term weak economic per-formance". Of other large US cities, only Detroit, Philadelphia and Washington DC score

lower.
The trouble with New York is that recovery has largely passed the city by. While most of the rest of the US has long since bounced back from the last recession and shown strong employment growth, New York has clawed back less than a third of the 342,000 private sector jobs it lost between 1989 and 1992. Many of the jobs that went

were in manufacturing, and will probably never come back. But New York's bigger problem is that it is failing to attract enough jobs in new, growth sectors to replace those that have gone.

High taxes and high real estate costs are two strong disincentives to new industries. So is the quality of life, or lack of it: a recent poll by the Regional Plan Association, a New York-based advisory group, found that 49 per cent of New York's residents would move out of the city if they could, citing poor schools, high housing costs and street crime, among other things.

This might matter less if there were nowhere else to go. But in a country as big and diverse as the US, there are many other business locations to choose from, often with much lower costs and higher living standards than in New chronic budgetary stress from York. Today's fast-growing



cities are in the south and west, not the north-east.

"New York is no longer the place where people feel they have to be," says Mr Claude Shostal, the Regional Planning Association's president. "They almost have to justify what the hell they are still doing here." Traditionally, one of New York's biggest strengths has

been its standing as the finan-

cial capital of the US. But in

spite of near-record profits last

year, not even Wall Street has

been doing much to improve the city's lot. Any extra jobs generated in the securities industry have been more than outweighed by those lost in a continuing wave of bank mergers and through the relocation of back-office functions to states with lower costs.

Amid the gloom, it is possible to find some bright spots. Crime rates have plummeted over the past two years, and Mayor Giuliani has been waging a "quality of life" cam-

paign against petty offences.

Retailing activity, meanwhile, has been lifted by a relaxation of planning controls which previously kept big stores out of the city; the seedy and decrepit Times Square entertainment area is seeing a Disney-led revival; and one growth point has been the emergence of small, entrepre-neurial businesses developing Internet sites, multi-media software, on-line entertainment and other computer-related

However, Mr David Hensley, an economist at Salomon Brothers, says these elements will struggle to provide enough employment to compensate for the declines in other areas. "It's very difficult to look at the city's various sectors and come up with one that is poised to become a major new driver of growth," he says.

Mr Mitchell Moss, director of the Taub Urban Research Center at New York City University, believes New York's future lies in knowledge-based industries. "New York is a magnet for people with hrain power," he says. "That brain power isn't just in science or biomedical research: it's in fashion, or finance, or developing new ways of marketing. and I think that's what makes New York strong."

But whatever the long-term outlook, New York faces difficult times in the near term as it struggles to live within its means. Even without a recession or a Wall Street crash, Mayor Giuliani will have to take a much bigger axe to public services than the one he has so far wielded. The fact that he has not done so already owes more to the fact that he faces re-election next year than to the prospect of any upturn in

## Jackson targets Mitsubishi

Mr Jesse Jackson, US civil rights leader, vowed yesterday to step up protests against Mit-subishi Motors over behaviour towards minorities and women workers in the US after an "unproductive" meeting with the company, Reuter reports from Tokyo.

Mr Jackson said Mitsubishi was just the first target of a campaign against car compa-nies in the US in the coming year, with another Japanese maker, Honda, next on the list. "We are going to go down car line by car line and challenge the automobile industry," he told a news conference after a 90-minute meeting with Mitsu-

bishi executives. He denounced Mitsubishi and other carmakers, both domestic and foreign, for not hiring enough African-Americans, Hispanics and women, not putting enough minorities in executive positions and not giving enough

dealerships to minorities. Mr Jackson's Rainbow Coalition - a political and civil rights organisation - and other minority groups have boycot-ted Mitsubishi for several months.

Mr Taizo Yokoyama, Mttsubishi managing director, said the company wanted to keep its "lines of communication open" to the civil rights leader. The US Equal Employment Opportunity Commission has charged Mitsubish with creating a "hostile and abusive" work environment at its US subsidiary in Normal, Illinois. It alleges women were groped grabbed and touched and forced out of their jobs if they

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A Comment

"Without effort, a great vision will remain just an unfulfilled dream."

FINANCIAL TIMES

# **COMPANIES & MARKETS**

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AVIS FLEET SERVICES

Mercedes

Thursday July 18 1996

### IN BRIEF Stork buys Fokker

unit for FI 302m The dismantling of Fokker, the failed Dutch aircraft maker, began in earnest as receivers sold Fokker Aviation, its profitable components and maintenance division, to Stork, a domestic industrial

group, for F1 302.5m (\$180.5m). Page 16 Computer Associates has record quarter Computer Associates reported record results for its first fiscal quarter, buoyed by strong demand for its client server" software products used on networks of computers. Page 14

AMR and TWA show strong upturn AMR, parent of American Airlines, and Trans World Airlines opened the results season for US airlines with sharp upturns in second-quarter profits. AMR had net income of \$293m, up 55 per cent. TWA reported net profits of \$20.4m after preferred stock dividends, up from \$1.2m a year earlier. Page 14

Mational Mutual brings forward listing National Mutual, Australia's second largest life assurance group, announced it would list on the Australian and New Zealand stock markets in October - a year ahead of its declared deadline. It is likely to be valued at more than A\$2bn (US\$1.58bn).

SGS-Thomson chip arm rises 53% midway SGS-Thomson Microelectronics, the Franco-Italian semiconductor manufacturer, reported "record market share gains" as it unveiled a 53 per cent advance in first-half net earnings. Page 16; Lex, Page 12

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The increase owed much to the ates, a financial services unit.

ble mainly for the evidence they presented of a fast rebound in ernings in the group's core automotive operations. These had suffered during the previous three months from the costs of launching models of a number of the company's biggest-selling vehicles on both sides of the Atlantic.

or 4 per cent, during morning trading on Wall Street, to \$31%. Underpinning Ford's results were after tax profits of \$1.1bn from its automotive operations, a rise of \$8m from a year before, on sales which rose 3 per cent to

That represented an after-tax profit margin of 3.6 per cent just shy of the 3.9 per cent earned by General Motors' automotive businesses. In the first quarter, Ford's net margin had been only 0.5 per cent, reflecting launch costs that most analysis had also expected to dent its second-quarter results.

While noting the improvement, Mr Alex Troiman, the company's chairman, said: "We still have a lot to do." The benefits of an efficiency drive, which was introduced last year, should show through in the company's results in the coming quarters, he added. Profits from the company's US automotive business rose \$34m to

\$697m, while those outside the US fell \$26m to \$411m. About \$213m of Ford's latest net earnings reflected a \$650m gain from The Associates sale,

put good news in the shade

offset in part by a \$472m loss on its sale of Budget, a car rental company. Earnings per share for

trucks before these one-off items - about 16 cents above the marchief ket's expectations. Meanwhile, the company reaf-

firmed its generally optimistic forecast for the US car and light truck markets. Even if the Federal Reserve moves to raise interest rates in August, new vehicle sales this year should reach 15.5m, an increase on 1995, said Mr David McCammon, Ford's

vice-president for finance. He said the company did not expect the recent instability in share prices to have much effect

Mr Bernd Gottschalk, head of the commercial vehicle division of Mercedes-Benz, has resigned over "different views" about the German group's internal division of responsibilities, according to the

By Wolfgang Münchau

company.

The resignation of one of the top executives in the Daimler Benz concern comes at a critical time for the commercial vehicles division, whose truck business has lost competitiveness against other European manufacturers, and which is running heavy

The commercial vehicle business had a turnover of DM31.6bn (\$21bn) last year, almost a third of the turnover of the entire Daimler-Benz concern. Because of the size, Mercedes has created a sub-structure in the division, comprising five product and two regional sub-units.

Mercedes said Mr Gottschalk's decision was personal and not related to a restructuring programme, which Mercedes is negotiating to enforce at its German truck unit.

Mercedes-Benz said last night that Mr Gottschalk's views about the planning and control functions in the company were not in tune with those of the company. It said there had been no disagreement about model and market policy. The resignation reflected Mr Gottschalk's frustration about the company's policy of devolving responsibility down the line towards individual busi

ness units. Mr Gottschalk was not available for comment last night. One industry analyst, who declined to be named, said the move was about "who takes the credit for the eventual turnround

Mr Helmut Werner, chairman of Mercedes-Benz and a former Mr Gottschalk.

the supervisory board to end his contract as of August 1. His contract was due to run until 2000. During the 1980s. Mr Gottschalk held the position as chief of public relations at Daimler-Benz.

of Mercedes, said last month that the trucks business would need to incur savings of DM1bn to remain competitive against lower cost European manufacturers especially Volvo and Scania, the Swedish truckmakers.

Mercedes said recently that it was looking for a DM1bn cost savings programme that would affect all areas of the business. including administration, produc tion and marketing. Negotiations are under way with the works councils in four German truck plants over the implementation of the cost-cutting measures. The plants employ 30,000 staff.
The division also includes a

van and a bus manufacturing unit, and Freightliner. Mercedes' US truck company.

# Ford posts surprise 21% advance

Ford Motor, which is carrying out an expensive overhaul of its product line-up in the US and Europe, surprised the US stock market yesterday with a 21 per cent jump in net income during the second quarter of the year, to

strength of the US company's financial services businesses and a one-off gain from the sale of nearly 20 per cent of The Associ-However, the results were nota-

The news, which followed strong earnings reports from General Motors and Chrysler in recent days, helped dissipate some of the pessimism that has hung over the US automotive

Yesterday, Ford climbed \$1%,

## Fujitsu aims to produce **MO** disc next year

Alice Rawathorn in London

Fujitsu, the Japanese electronics group, plans next year to start production of a new generation of computer memory discs with vast storage capacity.

The discs, which will also be

made by seven other groups including Japan's Sony and Philips of the Netherlands, will challenge the data storage version of digital video discs, DVD-Rom,

due on sale next year. Fujitsu says its magneto-optical or MO discs will be easier to use than DVD-Rom and will have greater storage capacity. An MO disc will store 6-7 giga-bytes of sound, video and data, against 2.6 for DVD-Rom.

Fujitsu's plans come as another blow to the DVD consortium, led by Toshiba of Japan, as it tries to conclude negotiations with the entertainment and compoting industries over a copyright agreement for DVD. Toshiba and other prospective

DVD manufacturers have been forced to postpone this autumn's planned launch of the first DVD entertainment systems until they have settled the copyright issue. Plans to introduce DVD-Rom next year are also on ice.

The consumer electronics industry had hoped DVD, billed as its most promising product since audio-CDs and video cassette recorders, would stimulate sales in a sluggish market. DVD-Rom's success is seen as vital since many manufacturers suspect it has greater sales potential than the entertainment format. Plans for the MO disc cast a

cloud over DVD-Rom's prospects. But the Fujistu camp has yet to finalise MO's specifications. It expects to do so by the end of this year. If production starts on schedule in early 1997, the first MO discs may go on sale next year at less than Y10,000 (\$90). Fujitsu hopes the MO discs will become an important

medium for services such as video-on-demand and interactive television. Some analysts suspect they will be used in addition to, rather than instead of DVD-Rom. Some groups are hedging their bets. The MO consortium includes Hitachi and Sharp of Japan which, like Sony and Phil-

### Richard Waters surveys this summer's US corporate results season Bears' fears on earnings he summer earnings sea-son is only just cranking into top gear on Wall Street, but already one thing is

Profits picture remains stable

clear: fears that the US corporate profits miracle is cracking are largely misplaced.
Profits warnings in technology

and healthcare since last week have fed concerns that US corporate earnings are wilting. After more than four years of surging profits, that would remove one of the pillars that has underpinned Wall Street's rise.

The timing of those warnings has accentuated their impact. Coming after the stock market had already begun to fret about the prospects for an interest rate rise, they have contributed to recent gyrations in the Dow

Jones Industrial Average.

Thus far, though, the worst fears that the cyclical peak in earnings has passed are proving unfounded. The double-digit profits growth that has supported the US market's rise may be over. but the indications are that, barring extraneous shocks, earnings are likely to remain solid at least until the end of next year.

An analysis of the quarter or so of S&P 500 companies that have so far reported second-quarter earnings shows only 16 per cent have failed to meet expectations, says First Call, which monitors analysts' forecasts. Thirty-two per cent have topped forecasts by han 5 pa

Even though expectations are generally managed to a point where nasty shocks are rare, the latest figures have yielded an unusual amount of positive news. says Mr Chuck Hill, director of

research at First Call. The earnings picture so far is based largely on sectors that report early: banks and securities firms, companies in basic industries like paper, consumer growth companies, and cyclical stocks such as carmakers.

A number of trends stand out. First, and most clearly, the forces behind the latest phase of the US earnings cycle remain largely in place. Top-line sales growth in most industries has remained moderate against a background of higher volumes and largely unchanged prices. The real boost to operating profits, rather, has come from restraining costs.

That is particularly clear in sectors like banking, one of several which have seen a mergerdriven consolidation in the past two years. Figures this week have shown a marked improvement in the key cost-income ratio at a number of banks, brought about in part through job reductions in the wake of mergers.

# SAP 500 Price to earnings ratio

Second, growth in earnings per share across the market - the most common yardstick of how corporate America is doing - has been supported by hig huy-backs. Many groups rewarded shareholders in the current profits boom not by raising dividends which accounts for the rock-bottom 2.2 per cent yield on the S & P500 - but by using strong cash flow to buy back stock. At General Electric this contributed to a 13 per cent rise in eps in the latest quarter, outstripping an 11 per cent advance in after-tax profits. Citicorp, the bank which has spent \$1.5bn buy-

1991 92 93 94

aged an 18 per cent advance in eps on a 12 per cent increase in Third, the dollar may have rebounded from last year's low point, but this has done little so far to curb the reported profits of

ing its own stock this year, man-

US groups which rely heavily on overseas sales. Three his consumer products

groups have stood out in this Kodak and Johnson & Johnson. Each generates a large part of its sales abroad, and so was affected by the dollar's climb. But each met or exceeded expectations. A stronger dollar could have a more serious effect on US corpo-

rate earnings further down the road, of course - as could higher interest rates. Companies most directly in competition with Japanese rivals in world markets seem, unsurprisingly, the most

concerned.
Rumblings from carmakers whose profits boom this decade has been sustained by the dollar's fall against the yen - have been particularly pronounced. For now, though, neither the

market brought the first expansion in the price/earnings ratio of the US's largest companies since the profit recovery of the early

rebounding strongly.

come - an early small rise in

interest rates, seem a serious

threat to corporate earnings. On

both measures, US groups are

better off than they were as

recently as 1994.

A continuation of the current

stable earnings picture would

strengthen arguments that the

downward "correction" in US

share prices should not be fol-

lowed by a more precipitate fall.

But it would also suggest that

share prices will have trouble

Last year's jump in the stock

years of the decade (see chart.) That earlier increase was justified by the profits boom that followed. But this time round, the outlook seems less exciting. dollar's rebound, nor - should it Day of reckoning, Page 11

# in the business

head of the commercial vehicles division, will assume the role of acting head of the unit, but Mercedes yesterday said that it was looking to find a replacement for Mr Gottschalk, 53, has asked

Mr Helmut Werner, chairman

### MGM share flotation expected in three to five years would be something considered by the board at the appropriate winner on Tuesday in an auction



and agencies Seven Network, the Australian

media group which partnered Mr Kirk Kerkorian's Tracinda group in a successful US\$1.3hn bid for the MGM film business in the US, said yesterday it was likely that the Hollywood studio would be floated in the next three to five Seven backed the management-

led bid for the famous Hollywood studio, which was the unexpected

that saw bids from News Corporation, the media group; Poly-Gram, the entertainment subsidjary of Philips; and Morgan Creek, a US group backed by Warner Bros.

It is believed Mr Kerkorian put up just over half the purchase price for the deal, which will bring the roaring lion logo under his control for the third time since 1969. However, Mr Kerry Stokes, the

Perth-based chairman of Seven.

said that while details of an offer-ing had yet to be worked out, Seven did not anticipate selling

its shares at this stage. He said the group had received a couple of offers for the MGM film library, one of which came from Mr Rupert Murdoch, the Australian-born media proprietor. Mr Murdoch's News Corp. owns a 15 per cent stake in Seven. An alternative means of

MGM's assets include film and

e." he commented.

television production operations, the 1,500-film library, 4,500 home video titles, a global distribution network and one of the bestknown brands in entertainment. Shares in Seven fell 9 cents or about 2.5 per cent - yesterday, to A\$3.61 on news that the Kerkocapitalising on the value of the rian consortium had been suclibrary might be to license it cessful. Seven's financial commitrather than go for a sale. "That ment is put at about US\$250m - a Page 14

sizeable figure in the context of a company which made an after tax profit of A\$41.3m (US\$31.8m) in 1994-95, and about A\$\$4.6m in the previous year. However, Mr Stokes indicated yesterday that he believed additional interest costs should be covered by MGM

Management's stake in the

buy-out is being financed with

funds raised through J. P. Mor-

gan, the investment bank. News Corp buys New World.



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### COMPANIES AND FINANCE: THE AMERICAS

# **News Corp in** \$2.5bn deal to buy New World

By Maggie Urry in New York

Mr Rupert Murdoch's News Corporation threw down a challenge to the three longestablished US television networks yesterday when he announced an all-paper agreed bid for 80 per cent of New World Communications, worth \$2.5bn. News Corp already has a 20 per cent stake in New

The deal, which is subject to regulatory approval, would enable News Corp's Fox Televi-sion network to leap-frog NBC, ABC and CBS in terms of the percentage of the population reached through owned and operated stations. It would give Fox coverage of close to 35 per cent of the population, the limit allowed under Federal Communications Commission rules. The networks reach other viewers through affili-

ated stations. As a result of the deal, New World has dropped its interes in buying King World, a TV

production company.

Mr Murdoch said: "This acquisition continues the momentum towards our goal to become the leading over-theair free broadcast television network in the US."

In morning trading, News Corp's shares fell \$1% to \$20% jumped \$64 to \$21%. New World, which is con-

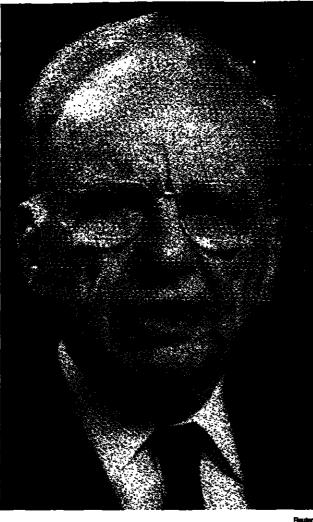
trolled by Mr Ronald Perelman, the New York investor and head of the Revion cosmetics empire, owns 12 stations but has already agreed to sell two to NBC for \$425m. The remaining 10 stations are Fox affiliates, after a deal between Fox and New World in 1994.

Mr William Bevins, chairman and chief executive of New World, said: "The offer by News Corp represents an extremely attractive opportunity for our shareholders to realise the value [of New World?'. Some analysts said the price

being paid for the loss-making New World was high. Mr Michael Diamond, executive vice-president of New World, said that under the affiliation deal New World was only obliged to take limited programming from Fox.

Once Fox controls the New World stations, it will own 22 stations, including nine in the top 10 US markets.

Mr Gary Klein, head of the media and entertainment group at AT Kearney, the management consultants, said the deal "makes all the sense in the world" and that Mr Murdoch was pursuing an aggres-



Rupert Murdoch: New World deal continues Fox momentum

sive and opportunistic strategy, putting Fox ahead of the other three networks in terms of channels of distribution in major markets. News Corp will Lex. Page 12

finance the purchase through the issue of about 117m new preferred limited voting Ameri-

# AMR and TWA post sharp upturn in second period

By Richard Tomkins

AMR, parent of American Airlines, and Trans World Airlines yesterday opened the results season for US airlines by reporting sharp opturns in second-quarter profits, building on the sector's recent recovery. AMR had net income of \$293m, up 65 per cent from the previous year's \$178m. Earnings per share rose from \$2.08 to \$3.20 on a fully diluted basis,

ensus forecast of \$3.13. TWA reported net profits of \$20.4m after preferred stock dividends, up from just \$1.2m a year earlier. But the company's fully diluted earnings per share of 45 cents fell well short of the expected 65 cents.

well ahead of Wall Street's con-

TWA went through a reorganisation under chapter 11 of the US bankruptcy code last year, so earnings per share figures for the prior year were not comparable.

US airlines have recently benefited from growth in the US economy. With more demand for air travel, they have been able to fill a higher percentage of seats without the need for ruinous fare sales. This year, they have also benefited from the expiry of a 10 per cent tax on ticket sales. This expired on January 1 after

the White House and Congress failed to agree on a federal

The expiry of the ticket tax delivered a profits bonanza to airlines, either because they kept fares the same and pocketed the money, or because they lowered fares and attracted more passengers.

Last week, however, the Senate approved a package of legislation that includes a reinstatement of the 10 per cent tax. Once that has been reconciled with a similar House bill and submitted to the president. the tax looks set to return.

Airlines will probably respond by raising ticket prices, but analysts believe that will lead to a fall in passenger numbers and a slowdown in the rate of profits growth seen in the past few quarters.

In the meantime, the airlines are enjoying strong demand for air travel. According to the Air Transport Association, an industry body, passenger traf-fic rose 5 per cent in April and 7.8 per cent in May, and load factors for June were expected

to reach record levels. In the quarter just ended American Airlines said its load factor rose from 67.1 per cent to 69.4 per cent, and TWA said its load factor rose from 66.9 per cent to 69.8 per cent.

# General Electric earnings up 11%

General Electric, America's largest company by market value, produced record earnings in its second quarter with an 11 per cent rise to \$1.9bn. Ramings per share, boosted by a \$8bn share repurchase programme, rose 13 per cent to \$1.15.
Revenues rose 7 per cent to \$19.1bn, and net profit margins

went from 9.7 per cent to 10.0 per cent. GE said operating profit rose at eight of its 12 divisions, with four - the TV network NBC, medical systems, transportation and motors showing double-digit increases.

Earnings at GE Capital, the financial services subsidiary, rose 19 per cent to \$683m. There were double digit increases consumer services, specialty insurance and specialised

Cash flow from operations rose sharply from \$1.5bm to 3.5bn. GE bought back \$817m of its stock in the quarter, bringing the total to \$4.9bn since its \$9bn buyback programme Tany Jackson, New York was instituted in December 1994.

### Reynolds Metals results dented:

Falling commodities prices have dented second-quarter results at Reynolds Metals, the US aluminium smelter and fabricator.

Net income in the quarter tumbled 45 per cent, to \$50m, or 81 cents a share. In the 1985 second quarter, Reynolds had sarned

Second-quarter sales dipped to \$1.8bn, compared with \$1.9bn in the previous second quarter, even though aluminium shipments rose to 432,000 metric tons, from 428,000 tons in the second quarter of 1995.

"Results were affected by primary aluminium prices 16 per cent lower than the 1995 second quarter, as well as price declines in a number of fabricated products. Continued poor economic conditions in Europe and lingering user destocking in some markets also affected results," said Mr Richard

Holder, Reynolds chairman For the first six months of the year, Reynolds net income was \$62m, or 69 cents share, on sales of \$3.5bn. The half-year results were reduced by a charge of \$38m, or 60 cents, taken in the first quarter for an accounting change and to cover restructuring costs. Reynolds earned \$193m, or \$2.64 a share,

on sales of \$3.5bn in the first half of 1995. The company warned that weakness in metals prices may persist longer than first forecast. "We are optimistic that aluminium demand fundamentals will improve later in the year, benefiting from a strengthening US economy and a recovery that is expected to begin in Europe, "said Mr Holder.

Falconbridge, the Canadian nickel, copper, zinc and precions metals producer, posted lower second-quarter and first-half earnings because of weakness in some metal

Mr Frank Pickard, president, said nickel continued to have a very positive outlook. Copper will rebound soon but not to the pre-May levels, he said.

Second-quarter earnings were C\$59m (US\$43m), or 33 cents a share, down 18 per cent from C\$72.3m, or 41 cents, a year earlier, on revenues of C\$573m, little changed. First-half earnings were C\$131.4m, or 74 cents, against C\$168.8m, or 96 cents. Revenues were C\$1.15bn against C\$1.19bn. Robert Gibbens, Montreal

### Telefónica in Brazilian bid

Telefonica Internacional, the overseas unit of Telefonica de España, has formed a consortium with a number of other companies to hid for a 35 per cent stake in Brazil's state-owned Companhia Riograndense de Telecomunicacoes. Telefónica has formed the consortium with its 43.63 per cent-owned Compania de Telecomunicaciones de Chile unit and Rede Brasil Sul, a local multimedia group. The sale of the 35 per cent stake in CRT through a public tender is expected to be completed by

the end of the year, Telefonica said.

Mr Ignacio Santillana, Telefonica chief executive, told AFX

News that CRT is owned by the state of Rio Grande do Sul and

"could therefore be privatised without any need for constitutional changes". A presence in Brazil is considered to be a necessary part of Telefonica's long-term strategy of creating "a pan-American telecommunications network," he

### Safra ahead 17% in first half

Safra's private banking empire, increased its net income by 17 per cant in the second quarter of 1996 to \$46.2m, or \$2.63 a share. First-half net income of the Luxembourg-based holding

share. First-half net income of the Luxembourg-based holding company, which controls one of Switzerland's biggest private banks, increased by 14.4 per cent to \$90.3m, or \$5.13.

Net interest income in the first half rose by 10.6 per cent to \$126.0m and other operating income rose by 21.6 per cent to \$56.6m. Operating expenses rose 9.3 per cent to \$83.5m in the first six months. The group's total assets have risen by 17.5 per cent to \$16.6bn since June 1995 and total shareholders equity is up by 13.7 per cent at \$1.40bn or \$84.55 a charge

# Strong demand lifts Computer Associates to record

By Louise Kehoe in San Francisco

Computer Associates reported record results for its first fiscal quarter, buoyed by strong demand for its "client-server" software products used on networks of computers.

Revenues for the quarter ended June 30 jumped 37 per cent to \$792.1m from \$577.5m in the same period last year. Net income was \$119.8m, or 47 cents a share, an increase of 35 per cent over \$88.5m, or 35 cents, in the

first quarter of fiscal 1996. Per share amounts adjusted for a three-for-two stock split effective July 15 were 32 cents for the latest quarter, versus 23 cents a year ago.

Earnings were well above Wall Street estimates of 42 cents a share and CA opened yesterday at \$461/2, up almost 15 per cent from Tuesday's close of \$40%. By mid-session CA had given up some of its gains to \$45%. CA's results, together with higher-than-expected second-quarter earn-

ings from Intel, the leading semiconductor manufacturer, and strong sales growth at Informix, one of the leading suppliers of computer database software, helped to fuel a rally in US high-tech stocks, which have been down sharply over the past few days. Sales grew "across the board and in all geographies," said Mr Sanjay Kumar, president and chief operating officer. The company had seen no

signs of market weakness, he said.

Mr Kumar. Investors' concerns about apparent weakness in the information technology sector have been overly influenced by the profit warnings issues by some companies over the past few weeks, he said. "Unfortunately, the bad news has to come out

Demand for client-server software, used on networks of personal computers linked to servers, was very strong during the quarter, with revenues up 50 per cent, Mr Kumar said. In partic-'Our industry is very strong," said

computers running the Unix operat-ing system and mid-range computers running Microsoft's Windows NT is selling well, he said.

Mr Kumar also attributed the company's first-quarter strength to a reorganisation, begun in April, in which the company created independent business units to address different segments of the software market and a new sales division to focus on

All of these securities having been sold, this announcement appears as a matter of record only.



INSURANCE & INVESTMENT

### Global Offering of 4,600,000 Ordinary Shares

in the form of Ordinary Shares or American Depositary Shares

Global Coordinator **Goldman Sachs International** 

Co-Global Coordinator Donaldson, Lufkin & Jenrette

International Offering 1,840,000 Ordinary Shares

This portion of the offering was offered outside of the United States and France by the undersigned,

Goldman Sachs International

Donaldson, Lufkin & Jenrette

Lazard Frères et Cie

**Paribas Capital Markets** 

**Banque Nationale de Paris** Dillon, Read & Co. Inc.

**CS First Boston** 

Mediobanca - Banca di Credito Finanziario S.p.A.

Merrill Lynch International

Fox-Pitt, Kelton N.V.

J.P. Morgan Securities Ltd.

Morgan Stanley & Co.

**UBS Limited** 

United States Offering 2,760,000 Ordinary Shares

This portion of the offering was offered in the United States by the undersigned.

Goldman, Sachs & Co.

Donaldson, Lufkin & Jenrette Securities Corporation

**CS First Boston** 

Dillon, Read & Co. Inc.

Merrill Lynch & Co.

Morgan Stanley & Co.

Fox-Pitt, Kelton Inc. J.P. Morgan & Co. Paribas Capital Markets Lazard Frères & Co. LLC

**UBS** Securities

July 1996

# Cost cuts bolster **Bank America**

By Richard Waters

BankAmerica, the California-based banking group, contin-ued the string of generally positive second-quarter earnings news from US banks with a 12 per increase in net income, to \$728m, and an 18 per cent advance in earnings per share, to \$1.84.

Like its competitors, Bank-America managed to bolster its its operating expenses rose by less than 1 per cent from a year before. Share buy-backs also contributed to the also contributed to the earn-

ings increase.
The bank's revenues, meanwhile, advanced by 7 per cent,

while, rose \$182m, or 16 per cent, to \$1.3bn, though \$82m of this came represented an after-

Federal Deposit Insurance

slightly less than \$2bn.

### Loan growth was almost entirely cancelled out by a lower net interest margin, n New York

which fell from 4.54 per cent to 4.27 per cent, resulting in an advance of only 2 per cent in net interest income. Non-interest income, mean-

tax gain from the sale of a Hong Kong subsidiary. The bank's latest results

Corporation.

That led to a \$56m decline in overall non-interest expense, to

# Safra Republic Holdings, one of the pillars of Mr Edmond

cent to \$16.8bn since June 1980 and what share.

up by 13.7 per cent at \$1.49bn, or \$84.55 a share.

William Hall, Zurick

# HBC plays to its regional strengths

Asian links help bank outperform Canada's Big Six, says Bernard Simon

Hongkong Bank of Canada branch in Van-Couver's Chinatown brought forward its opening time by one hour a few years ago as a courtesy to passengers arriving on Cathay Pacific's early morning flight from Hong Kong.

That gesture offers a number of clues to how the wholly-owned subsidiary of HSBC Holdings, the international financial services group, has achieved a measure of success that has up to now eluded for-eign banks in Canada. HBC has become the only

foreign bank to succeed in nip-ping the heels of Canada's six big domestic banks in the retail market, Citibank and Standard Chartered are among others that have tried, but

With assets of C\$20.5bn (US\$14.95bn) and 115 branches, HBC is now by far the biggest of the 40-odd foreign banks operating in Canada. It is still a minnow, however, compared with its domestic rivals. National Bank of Canada, the smallest of the Big Six, has assets of C\$50bn, and the six banks between them have about 7,000 branches.

Mr Bill Dalton, who helped set up HBC 15 years ago and is now its president and chief executive, says: "We are not setting out to be big; we are setting out to be profitable and

HBC has consistently outper-formed the domestic banks.

Profits have grown for the past

10 years in a row. Its 17.8 per

Bill Dalton: bank setting out to be profitable, not big

cent return on equity in the 12 months to October 1995, rising to 18 per cent in the first half of fiscal 1996, was higher than

any of the Big Six.

Royal Bank of Canada, the country's biggest financial institution with 10 times HBC's assets, produced a 17.5 per cent return on equity in the six months to April 30.

Foreign banks, most of them based in Toronto or Montreal, have typically started by targeting corporate customers. But HBC, whose head office is in Vancouver, focused from the outset on the stable retail market, which makes up about 40 per cent of its balance sheet. Its growth has been propelled by several acquisitions over the past decade, including the local subsidiaries of Australia's ANZ Bank, the UK's Lloyds Bank and, most recently, Barclays.

The inroads it has made in the retail sector stem in part from an advantage that no other financial institution can other financial institution can match – a virtually unassail-able foothold in Canada's expanding Asian community. HBC estimates that Asians, mainly immigrants from Hong Kong, account for 30-35 per cent of its business cent of its business. According to a competitor.

"they made a good strategic move right at the beginning by targeting the segment they're good at". The competitor says, for instance, that HBC branches in Toronto's China-town are staffed entirely by Asians, and are decorated in much the same way as Hongkong and Shanghai Bank branches in Hong Kong and

other parts of Asia.
At the same time, HBC's international connections help it draw commercial business from the domestic banks' traditional customer base. "No one can process trade finance documentation in Asia like us," Mr Dalton says.

BC maintains close links with its US sister BC maintains close links with its US sister bank, Marine Midland, whose head office is a stone's throw away from the US-Canada border in Buffalo, New York. Marine Midland's chief executive, Mr James Cleave, was previously in charge at HBC and the two banks regu-

larly exchange staff.

HBC has built on its strengths by offering a widening array of services. Over the

discount brokerage, asset management and insurance operations, purchased a trust company, and bought the 50 per cent it did not already own of James Capel Canada, its

securities arm. According to a recent Canadian Bankers Association survey of small and mid-sized respondents said they were highly satisfied with HBC's service. The highest scoring domestic bank was Bank of Nova Scotia, with 27 per cent. Some 87 per cent expressed general satisfaction with HBC, also well ahead of any domes-tic rival. Surrey Metro Savings. a credit union in the Vancouver area, describes HBC as "a the most service-oriented banks".

But another competitor points to shortcomings in such specialised services as real estate and mergers and acquisitions. HBC's ability to capture more customers through its relatively small branch net-work is also limited. Paleman Made

· Carlette

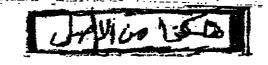
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William .

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However, Mr Dalton has no ambition to open new branches at a time when electronic and telephone banking appears to be the wave of the future. HBC has invested instead in a large call centre on the outskirts of Vancouver to handle phone and on-line queries.

Mr Dalton says there is little chance of HSBC offering a slice of the Canadian unit to the public. But, he says, "if an appropriate acquisition came along, we would look at it".



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### COMPANIES AND FINANCE: EUROPE / ASIA-PACIFIC

# National Mutual Renault's prospects hinge on room for manoeuvre brings forward demutualisation

By Nikki Talt in Sydney

second largest life insurance group, announced yesterday that it would list on the Australian and New Zealand stock markets in October.

first large life company to com-plete a demutualisation scheme, besting rival Colonial Mutual group, which plans to begin the process later this year. The AMP Society, Austra-lia's largest life insurer, is also looking at the ments of demutnalising - turning itself from a company belonging to policy-holders to a conventional

shareholder-owned one.

National Mutual is likely to
be valued at upwards of A\$2bn (US\$1.58bn) and a controlling 51 per cent interest will be held by Axa, the French insurer.

National Mutual won policyholders' approval for the demutualisation scheme last August and pledged to list its shares by October 1997 at the latest. But Mr Geoff Tomlinson, managing director, said yesterday that National Mutual saw no reason to delay. "The management team felt that the fundamentals were there," he said.

Mr Tomlinson acknowledged that current stock market conditions did not look too favourable - the Australian market tumbled to a seven-month low process of first allocating months to end-March.

"free" shares to policyholders, as from Monday, and then selling shares not taken up to National Mutual, Australia's other investors, would mean a

long offer period.

"We'll be out in the market for an extended period of time, and obviously things will go up and down. I don't really see It will become the country's this as a standard initial public offering - we've got Axa there with 51 per cent," he said. Letters telling policyholders

how many shares they are enti-tled to will go out next week, and they will be able to opt either to accept these or have the shares sold on their behalf. National Mutual Life has around 1.2m policyholders in Australia and New Zealand, and about one-third of these will get the minimum allocation of 200 shares.

Shares not retained by policyholders will go into a two-part offer for sale, with a public offer opening on Sep-tember 9, and an institutional offer following on October 2. The public sale price will be set at the lower of the retail application price and the institutional sale price.

National Mutual accompanied news of the October listing with a forecast of a A\$198m after-tax profit for the year to end-September. This compares with a restated A\$115.5m figure in the year to end-September 1995, and A\$230.5m in the previous 12 months. The company this week - but said that the made A\$131.5m in the six

Investors in the French carmaker Downhill at Renault have seen the value of their holdings tumble as misfortunes

have piled up, report David Owen and Haig Simonian

Renault, the French car-maker, is developing a device to stop drivers

• March brought the announcement of a 41 per cent fall in 1995 net profits. This falling asleep at the wheel. Shareholders could be forgiven for hoping the company's top brass have it installed in their

This year has been one to forget for the group, a majority of whose shares are now back in private hands for the first time in more than half a

century.

The latest misfortune came with the European sales figures earlier this week. They showed Renault's January-June market share fell from 10.6 per cent to 9.7 per cent. While new car registrations in Europe rose by 4.8 per cent, Renault's sales fell by 3.9 per

The poor data were the latest in a string of mishaps. These began in January with reports that Mr Louis Schweitzer, Renault chairman, had been placed under investigation in connection with a political wire-tapping scandal dating back to the mid-1980s.

Since then, bad news has continued to flow: In mid-January it emerged that Renault-Oyak, the Turkish joint venture, was to halt production temporarily because of a 50 per cent drop in sales. In February, the company jobs at its French plants.

included a FFr1.7bn (\$336.3m) operating loss in cars, blamed on weak European demand, currency depreciations and the introduction of the Megane, the company's crucial new mid-sized range. A week later, its listed Spanish carmaking subsidiary reported a 64 per cent drop in 1995 pre-tax profits, attributed to a price war. • In late May came the decision to modify some Mégane models following persistent reports by some French motoring magazines that the vehicle was unstable in certain conditions. Car testers who had

the car as sound. The following month, the group announced it was to quit Formula One motor racing where it has been conspicuqualy successful - at the end of next season. Renault said that, having supplied engines to four constructors' championship winners since 1989, the only likely subsequent course was downwards. Observers noted the move would also

defended the Mégane derided

Renault for first resisting, and

then buckling under the pres-

sure while always defending

save a lot of money. With July now marred by the poor market share figures, it is scarcely surprising Ms Sabine Blümel, car industry Share price since flotation (FFr)

Nov 94

analyst at IMI Sigeco in London, says there is "hardly any-thing which gives me confidence to see a big

No less surprising is the fact that Renault shares have failen by nearly 18 per cent this year.

tunes, with which the shares are intimately linked - seem slim. Renault's stock is clouded by the fact that Sweden's Voivo still owns 11.4 per cent of the company, the legacy of a failed merger attempt. Volvo is anxious to offload - just as

Operating income/loss (FFr bn)

than 50 per cent of its capital In the light of so many setbacks, what chance is there of an upturn? Analysts are not optimistic.

"The problem with Renault", says Mr John Lawson of Salo-

Greater competition from more modern cars is biting into Renault's share of the potentially high-margin market for executive models

The stock has even fallen FFr19 below the level at which a group of financial institutions recently bought into the company's capital in the landmark deal that took the state's holding below 50 per cent. Meanwhile, investors who paid the FFr165 issue price in Renault's November 1994 initial public offering have seen the value of their holdings fall by nearly 30 per cent.

The chances of any quick upturn in the share price - or in Renault's commercial forsoon as the share price reaches what it deems an acceptable level. In mid-May, Volvo indicated the then share price of FFr149.90 was "too low". Yesterday the shares were languishing at FFr115.8.

he French state could also be a seller. It is still thinking of divesting its remaining 46 per cent holding when market conditions permit. This leaves Renault in the unenviable position of knowing that the owners of more

mon Brothers, "is doubts about some of the fundamental positions of the company being combined with some pretty bairy reductions in market

The group remains, by common consent, too heavily focused on France - a country that, Mr Lawson notes, "seems to be the centre of a [motoring] price war". Moreover, the successful Clio

compact hatchback is showing its age, despite a recent facelift. And the Clio's market seg-

ment - which has performed relatively strongly in France because of a government sales incentive scheme favouring small cars - has become particularly competitive with the debut of attractive and keenlypriced vehicles from Volkswagen, Fiat and Ford.

Greater competition from more modern cars is also bit-ing into Renault's share of the potentially high-margin market for executive models. such as the Safrane, and multi-purpose "people carriers" like the Esnace.

To set against that, Renault's commercial vehicle sales appear to be holding up well, although some analysts fear the European market may be

And management has shown it can fight back in the past: Renault was one of only three European carmakers not to book a loss in 1993; the following year it announced it had climinated its debts, as well as recording net earnings of FFr3.64bn - more than triple the 1993 figure.

The company should also benefit from the gradual appearance of the full Mégane range, including a conventional four-door saloon and an innovative "people carrier". A new Espace is also on the way, while the Safrane is due for a

In longer term, though, perhaps the most significant fac-tor for Renault's prospects will be whether Mr Schweitzer really is given "the same capacity for strategic manoeuvre as his competitors" - a pledge made by the government when its decision to take its stake below 50 per cent was appounced.

# Philippines bourse chief to quit

By lan MacDonald in London and Reuter in Manila

Mr Eduardo de los Angeles, president and chief executive of the Philippines Stock Exchange, - yesterday announced he would not be seeking reappointment when

his existing contract expires. A year ago, Mr de los Angeles was widely expected to be appointed chairman of the Securities and Exchange. Commission in Manila following the acrimonions departure of Ms Rosarlo Lopez, but President Fidel Ramos surprisingly appointed one of the existing

commissioners. -Mr de los Angeles decided to stay at the PSE, which was formed three years ago as a result of merging the rival Manila and Makati stock



to return to law practice

He has played a leading role in bringing the two trading floors under one roof since the merger at a time when the PSE was among the fastest growing exchanges in the Asia-Pacific

Yesterday, however, Mr de los Angeles, a 54-year-old cor-porate lawyer, announced his intention to leave. "My con-tract ends on September I and my intention is to go back (to law practice]" he said.

Mr de los Angeles said he would ensure the start of a

central depository before he left. "The plan is that we will start putting in governmentsecurities on August 15 and shares of at least one company by the end of August," he said. A depository would do away with the need for share certificates and reduce the amount of

He said the PSE's board had already chosen his successor. but he declined to name the person until the choice was

# Cutback by chip makers widens

By William Dawkins in Tokyo

Two more Japanese semiconductor makers, Toshiba and Fujitsu, have announced production cuts in response to the

fall in chip prices.

Fujitsu will cut production of four and 16-megabit dynamic random access memories (D-Rams) by 20 per cent, by closing some Japanese production lines for a week in August. Toshiba said its output of

D-Rams would fall next month, due to temporary closure at two of its five Japanese plants. These are the latest in a series of production cuts by chip makers around the world,

including Japan's Hitachi, Mit-

subishi and NEC.
If continued, the cuts would enable the Japanese semiconductor industry, which represents just over 40 per cent of world supply, roughly to halve its own 15 per cent surplus by the year-end, according to industry analysts in Tokyo. Earlier this week, Hitachi, Japan's biggest chip maker, said it had halted production at a new plant and postponed investment in new capacity. Rockwell International of the US said it would delay production start-up for at least a year at a semiconductor wafer fac-

tory being built in Colorado

July 5, 1996

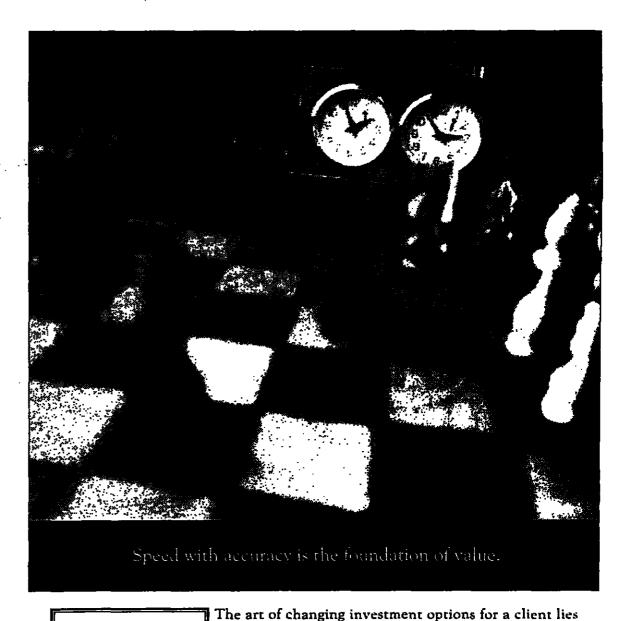
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Palomar Medical Technologies, Inc.

4.5% Convertible Subordinated Debentures due 2003 with attached Warrants to purchase Common Stock

BlueStone Capital Partners, L.P. Banca Commerciale Lugano



INVESTMENT MANAGER The Stanley Works Corporation

Defined Benefits Plan Assets \$325,000,000

Total Assets Under Managemen

**▲** Bankers Trust

in changing them wisely as well as quickly. When The Stanley Works Corporation, a leading manufacturer of tools, hardware and specialty hardware, asked us to execute a controlled portfolio restructuring, they really had only one question: How do we do this quickly and cost effectively? Together, we designed a plan that took their existing equity index and split it into separate funds, thereby maximizing

liquidity while minimizing restructuring costs. Simultaneously, we maintained Stanley's equity allocation through a dynamic futures hedge between trade and settlement dates of their domestic and international trades. Our plan worked. Virtually 100% of The Stanley Works Pension Plan restructuring was completed within two weeks at minimal costs, which is not only why they came to us in the first place, but why they're still with us now. We welcome the opportunity to discuss how we can develop equally innovative solutions to your financial challenges.

**▲** Bankers Trust

# Stork buys Fokker Aviation for Fl 302m

By Gordon Cramb in Amsterdam

The dismantling of Fokker, the failed Dutch aircraft maker, began in earnest yesterday as the receivers sold its profitable components and maintenance division to Stork, a domestic industrial group.

Stork is paying FI 302.5m (\$180.5m) for Fokker Aviation, created by the receivers on March 17 when it became clear there was no immediate buyer for the company as a whole. The deal, which includes the assumption by Stork of a

retroactive to that date. Fokker collapsed when Deutsche Aerospace, its controlling shareholder, refused in January to inject further funds. Potential bidders for the aircraft manufacturer have examined its books, with some arguing that removing the relatively consistent revenue stream generated by the services side made a takeover less

Fokker Aviation services the company's 1,200 aircraft worldwide and is also licensed to maintain Boeing 737s and F-16 military jets. It makes compo-

industries as well as supplying the Fokker fleet and Airbus. Stork, which last month was granted an exclusive option to buy the unit, has operations spanning printing and packaging, industrial components, engineering and contracting. The group, which made net profits last year of Fl 108m on sales of F14.12bn, has had no

erospace industry. Mr Jan Hovers, Stork chair-man, told an Amsterdam press conference yesterday that Fokker Aviation's activities were "a logical broadening of the industrial markets in which

previous involvement with the

tion would add some Fl 600m to turnover this year and would already make an unspecified contribution to earnings.

From next year, helped by contracts to update older F-16s, Fokker Aviation revenues are projected at Fl 800m and profitability would match Stork targets for its other businesses. Mr Louis Deterink, a Fokker bankruptcy trustee, said the separate deal was done with Stork because "continuity of product support was crucial". Without that, regulatory authorities could have begun

to cancel airworthiness certifi-

to a substantial erosion of values of Fokker aircraft":

Fokker is making aircraft to meet previous orders but according to Mr Deterink, "It can still take months before it becomes clear if a buyer for the aircraft builder can be found." He insisted the sale to Stork should not impede rescue prospects for the core operation.

Yakovlev of Russia is the most recent international serospace group to have expres interest in Fokker, saying last week that it was contemplating

share rose from \$1.78 to \$2.53.

The 1996 figures included a

gain of \$7.3m on the disposal of

Second-quarter net earnings

rose from \$122.6m to \$176.1m.

with earnings per share rising

Gross profit margins in the

quarter reached an unusually

high 44.4 per cent, against 40

per cent in the second quarter

of 1995. This was attributed to

a favourable product mix and a higher rate of utilisation of

manufacturing plant.
Capital spending in the first
half totalled \$860.5m, with the

overall figure for 1996 expected to weigh in at about \$1bn, simi-

The company's shares

jumped FFr9.6 to FFr164.1 yes-

Lex. Page 12; Japanese groups cut production, Page 15

terday following the news.

from 95 cents to \$1.27.

## Dax move drives up shares in Munich Re

By Andrew Fisher in Frankfurt

Shares of Munich Re, the world's largest reinsurance group, rose sharply yesterday after the decision to include them in Germany's Dax index of 30 blue chips. Shares of two demoted companies, Metallgesellschaft and Continental. the tyre group, also rose as uncertainty about their continued inclusion ended.

Deutsche Börse, which runs the Frankfurt stock and futures exchange, said on Tuesday that Munich Re and Deutsche Telekom, which comes to the market in November, would join the Dax. Deutsche Telekom's inclusion had already been decided – its initial public offering will total some DM15bn (\$10.1bn) – while that of Munich Re was

generally expected.

Munich Re's shares rose DM63 to close at DM3.319. The company said on Friday, when it announced higher than expected results for its financial year, that it expected to join the Dax. Its shares have advanced recently, as institu-tions that track the index

bought ahead of the decision. The Dax changes will take effect on September 23, with Deutsche Telekom joining after its IPO. Metallgesellschaft, the industrial and trading company that nearly collapsed in 1994 and is now back in profit, will stay in the Dax until Telekom enters. Continental will leave when Munich Re moves up in two

nonth Both Continental, whose shares were 63 pfennigs, or nearly 3 per cent, higher at DM23.63, and Metallgesellschaft, up DM1.55 (6 per cent) to DM26.50, will become part of the MDax, comprising 70 medium-sized issues.

Also moving into the MDax will be Tarkett (floor coverings). Puma (sports shoes and clothing) and Rhön Klinikum type Hell (digital pre-press

World Stocks, Page 30

# SGS-Thomson posts 53% rise at midway

By David Owen in Paris

SGS-Thomson Microelectronics, the Franco-Italian semiconductor manufacturer, yesterday reported "record market share gains" as it unveiled a 53 per cent advance in first-half net earnings. Mr Pasquale Pistorio, chief

executive, said he estimated the company would represent "approximately 3 per cent of the worldwide semiconductor market" in the second quarter. He added that the company's second-quarter results, when net earnings climbed 43.6 per cent from year-earlier levels, were achieved at a time of difficult market conditions, with total industry sales expected to be down on the figures recorded in the first quarter.

While several of the group's product lines were affected by industry-wide pricing pres-

Rewe, the large German food retailing chain, is well-

positioned for expansion in the

European market, including

eastern Europe, after its

acquisition of Billa, one of Aus-

tria's biggest food retailing

groups.

Rewe, which last year posted

sales of DM48bn (\$32.2bn), and

which employs 161,000, is esti-

mated to have paid more than

By Judy Dempsey



Pasquale Pistorio: impact of pricing pressures partly offset by strong demand for specialist products

sures "particularly in June", the impact had been partly offset by strong demand for its specialist products, such as microcontrollers.

sales of DM7bn in 1995 and has

a network of 1,600 branches

Rewe's decision to buy Billa reflects the saturation in Ger-

man retailing, particularly in the food sector. "Germany is so

incredibly saturated in terms

of food retailing that retailers

have to go outside for higher

earnings," said Ms Claire Kent,

analyst at Morgan Stanley. Furthermore, the continuing

squeeze on consumer spending

in Germany, combined with

with 18,000 employees

expected to be above the \$922.6m recorded in the corresponding period of 1995, but below the second-quarter 1996

that Rewe and other retailers

are no longer assured of sus-

tained growth from current

operations, unless they are pre-

pared for a price war. "It's a

simple fact that the retailers

are looking outside Germany for growth," said Ms Kent.

been a prime target, not only

for Rewe, but also for Horbach

and Asko, the DIY groups, and

other German retailers. Rewe

has followed this trend, and

gone further by diversifying

In recent months Austria has

the 40.1 per cent achieved a year ago. Net earnings for the six months ended June 29 totalled incrocontrollers. figure. The gross margin \$351.1m on sales of \$2.06bn,
Third-quarter revenues are is expected to be lower than against \$229.5m on sales of

per cent stake in Pro-7, the

German commercial television

network. One of the fastest

growing channels in the coun-

try, it may be listed on the

stock exchange later this year.

Germany's largest mail order

group, jointly set up HOT, a

home-shoppping television net

work. HOT is already broad-

casting on certain frequencies

throughout the country, and

although it is in the early

stages of development, ana-

Last year, Pro-7 and Quelle,

Rewe gains E Europe foothold with DM1bn buy

lar to 1995 levels.

with Billa becoming involved Billa will be crucial for Rewe's strategy of expansion in another way: it will estab-lish a foothold in eastern Europe where Billa has

And because Rewe is a fiercely aggressive discount retailer, offering the consumer low prices - much like Billa - it is well poised to tap central European markets where the consumer is highly price-

# hranches in Hungary, Poland and the Czech republic.

(health care). Bremer Vulkan, the ailing shipbuilder, Linoequipment) and DLW (office furniture and floor coverings) will be leaving the mid-cap

### lysts believe Rewe may use HOT to promote its products, DM1bn for Billa. low economic growth and high The Austrian group had unemployment, have meant Earlier this year it took a 40



### Hellenic Telecommunications Organization S.A.

(incorporated with limited liability in the Hellenic Republic)

Offering of 31,974,073 Shares

Issue Price of Drs 4,000

Global Co-ordinator

The National Bank of Greece

The undersigned acted as lead managers of the placement of shares outside Greece.





alomon Brothers

Barciays de Zoete Wedd **Limited** 

HSBC Investment Bank Limited

Salomon Brothers International Limited

# Fibre maker gives dress rehearsal for privatised Poland

Stilon tests independent management and financing

Poland's mass privatisa-tion programme (MPP) leapt ahead this week with the start of trading on the Warsaw stock exchange in the coupons which entitle Poles to shares in the 15 investment

funds set up last year.

The move is a prelude to the flotation of the funds on the bourse next year. The 15m Poles who have already taken up their coupons at a nominal price of 20 2lotys will be able to exchange them for shares in the funds, which manage 512 formerly state-owned companies. The coupons' market debut saw them traded at 104 zlotys before falling to 95

The programme got under way last year when foreign investment banks, working with local partners, were given management roles. They were there to facilitate capital inflows and ensure the companies were restructured. It has, however, created

waves politically, as government-appointed supervisory boards for some of the 15 funds fought with local and foreign management companies appointed to run them. The internal strife appears to be abating, but the main test for the programme will come in companies like Stilon, a synthetic fibres manufacturer in western Poland. Its main fac-tory is the jewel in the crown of the No 2 Fund, managed by UNP, a small Canadian investment fund partnered by the recently privatised Bank Gdanski, and Murray Johnstone, the Glasgow-based investment management company.

Since the early 1950s Stilon has controlled most of the local for industrial uses. Unlike many of the companies in the

market supplying garment manufacturers, as well as varn MPP, it appears to have the worst of its problems behind it. The challenge facing No 2's managers - led by Mr Jan Bossak - is whether they

can bring about the changes

face EU competitors. Mr Janusz Gramza, its 50year-old managing director, has been in place since 1986, surviving Poland's transition from communism and a nearfatal decline at the company in the early 1990s. It then saw its domestic textiles market collapse as demand from the for-mer Soviet Union dried up. Losses mounted as Mr Gramza waited for the government, advised by Bankers Trust, to find a strategic investor, but this failed. Realising he was on

ture Stilon. In its heyday, the company employed 15,000 in a town of 120,000 inhabitants, and provided housing, transport and other services and facilities. Cost-cutting ended all this and left the workforce cut to 4,500. Local banks and creditors agreed to cut the company's debts, providing further relief. Some divisions, such as transport, were spun off into sepa-rate companies, while empty production areas were rented to outside investors.

his own, he decided to restruc-

The revamp coincided with an economic upturn that lifted production from its low of 27,000 tonnes in 1993 to 45,500 tonnes in 1995. These translated into sales worth 381m zlotys (\$140m), which produced a small profit.

Lest May, Stilon signed an agreement with Akzo Nobel, the Dutch chemical fibres producer, to lease production space. Talks are now under way with Nilstar, a joint venture between Rhone-Poulenc of France and Snia Viscosa of Italy, on a similar deal.

Mr Gramza wants the No 2 investment fund to provide him with "markets, capital and consulting advice". He is seeking bank loans worth \$50m to modernise machinery. The fund doubts whether Stilon's investment plan can be financed without a strategic

Indeed, as in many of the 15 funds, top executives at Stilon and the fund managers are treading carefully, aware that if they put a foot wrong to speed up change, a damaging conflict could ensue.

> Christopher Bobinski

### **NEWS DIGEST**

# Solid overseas sales help bolster Quelle

Quelle, the German mail order group, yesterday reported a 30 per cent rise in pre-tax profits despite a 1.4 per cent fall in domestic sales. Pre-tax profits for the year ended January 1 1996 rose from DM85m to DM110m (\$73.7m), but sales dropped

from DM12.28bn to DM12.11bn.
Sales in some markets outside Germany, however, rose by as much as 8.3 per cent. In France and Austria, the increm was only 0.9 per cent and 1.2 per cent, respectively. Overall, foreign sales advanced 2.3 per cent, from DM1.63bn to DM1.57bn, confirming that Quelle's non-domestic activities are

becoming increasingly important.

Mr Gunter Moissl, board member responsible for finance, said Quelle was able to maintain strong pre-tax profits because of improved productivity and pricing structures. The company benefited from the new Leipzig warehouse which came into operation late last year. However, analysts cautioned yesterday that Germany's mail order groups would be hard pressed to maintain strong profits and sales this year. "This pressed to maintain strong profits and sales this year. This part of the retailing sector is really under pressure," said one. "Not only is it becoming more competitive – it is up against an environment which is not conducive to any great push in

### N America props up Esselte

Improved sales in North America helped Esselte, the Swedish office supplies group, overcome sluggish demand in Europe and the negative impact of a stronger krona. Pre-tax profils in the first haif rose from SKr257m to SKr296m (\$41.5m), aided by debt restructuring and lower interest charges. Operating profits dipped from SKr322m to SKr321m, while sales dropped per cent to SKr5.7bn from SKr6.1bn last time.

The company, whose brands include Dymo labelling tools and Letraset, said turnover advanced 2 per cent after allowing for currency factors. However, sales were weak in Germany and France, Esselte's two largest and most profitable European markets. Mr Bo Lundquist, chief executive, said the group was planning acquisitions to bolster the office products division, which contributes 60 per cent of revenues. New sales companies will open in the Czech Republic and Hungary

during the autum "We are in a good financial position, which will allow us to implement our aggressive strategy for growth," Mr Lundquist said. The company reported substantially improved sales in Canada and the US, due to better penetration of "superstore" retail chains. Esselte also benefited from the restructuring of its US distribution network. Operating profits in the office products division grew from SKr210m to SKr217m, but "brisk" sales of Dymo were unable to prevent a slide in operating profits in the labelling systems unit, from SKr89m to SKr73m. Greg Mcloor, Stockholm

### Tesco cools on French rescue

The prospect of a "white knight" bid by Tesco, the UK supermarket chain, to save the French retailer Docks de France from hostile takeover was fading last night. The UK group is understood to have cooled to the idea of a rescue, which could cost it as much as £2.5bn (\$3.9bn). However, it has not entirely ruled out an intervention. "It is looking less likely, but not impossible," a source close to the company said. Docks de France, which owns the Mammouth hypermarket chain, is under siege from Auchan, a privately-owned retailer which has already acquired a 17 per cent stake. French stock exchange rules mean Tesco will have to move before next Tuesday if it wants to mount an alternative bid, which would almost certainly involve a big rights issue.

Meanwhile, Mr Christophe Dubrulle, Auchan's chairman. contributed to the war of words between the two companies by suggesting the Docks de France management had lost its "sang-froid". Interviewed in Le Figaro newspaper, Mr Dubrulle also signalled his opposition to an alliance between Docks de France and a non-French chain, saying such a link would be

"harmful to all our national suppliers". Christopher Brown-Humes, Landon and David Owen, Paris

### Greek shipbuilder under pressure

Hellenic Shipyards, the loss-making Greek state shipbuilder, has invited Brown & Root, the UK engineering and project management group, to discuss terms for a five-year management contract. The Greek group is looking for an international manager under a restructuring agreed with the European Union. The offer was made after negotiations with VSEL, the UK shipbuilders, collapsed last week.

The yard's business plan calls for fresh investment of Dr12bn (\$50.7m), of which Dr3bn would be covered through bank loans, with the remainder coming through government subsidies and employee contributions. The shipyard's 2,300 employees earlier this year acquired a 49 per cent equity stake in the company from ETVA, a state-owned development bank

m the company from ETVA, a state-owned development bank which has retained the other 51 per cent.

Brown & Root was short-listed with VSEL in a public tender, but dropped out after Hellenic rejected its condition that a submarine-building programme for the Greek navy should be included in the business plan. However, Hellenic is under the included in the business plan. However, Hellenic is under the business plan. pressure to install an international manager quickly, after missing a March 31 deadline set by the European Commission for completing the restructuring. Alpha Finance, the investment banking arm of Greece's Alpha Credit Bank, is advising on the appointment. Kerin Hope, Athens

### Counterbid for Montefibre

A counterbid has been launched for Montefibre, the Italian A counterful has been launched for Montefibre, the Italian synthetic fibres group, by the Mirogilo and Verzoletto families, who have offered L1,300 a share for 51 per cent of the company. A previous bid was made by Finlane, a holding company for the Orlandi family textile group, at L1,200 a share for 45 per cent of the capital. Enichem, the chemicals subsidiary of Eni, Italy's state-controlled oil, gas and chemicals company, recently sold its 66.4 per cent stake of Montefibre's ordinary shares and 48.5 per cent bolding of Montefiline's ordinary shares and 46.5 per cent holding of savings shares for L1,100 each through private and public placements, according to press reports.

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84m beats forecast

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# Investors shun British Biotech rights

By Shnon Kuper

The largest single fund-raising exercise by a UK biotechnology company ended in disapponiment yesterday when it emerged that owners of only about half the shares in British Biotechnology have taken up their rights to new shares.

The decision of so many investors to shun the £143m (\$224m) rights issue means that half of the stock being

David S Smith (Holdings), the

paper, packaging and office

stationery group, yesterday reported a 25 per cent rise in

annual pre-tax profits but warned of difficult trading con-

ditions in the current year.

Profits rose to £124.6m
(\$194.4m) on turnover up 20 per

cent to £1.24bn. Despite the

increases, the cautious outlook depressed the shares, which

shares fall

slipped 2p to 293p.

**Iceland** 

17% on

warning

By Christopher Brown-Humes

Iceland, the frozen food retail

chain, saw its shares plunge 17

per cent yesterday after it

warned that profits in 1996 would fall for the first time in

The group, with 4m shop-pers a week, blamed disap-

pointing sales, fierce price

Sompetition and a store refurbishment programme. It warned that first-half profits

would be about 10 per cent below last year's £33.6m (\$52.4m) and full-year profits

The problems cast a shadow

over the flotation plans of Somerfield, the UK's fifth big-

gest supermarket chain which

is hoping to achieve a value of £540m-£570m.

"All the high street retailers, whether it is Iceland,

Somerfield, Kwik Save or the

Co-op are losing market share to the superstores," said Mr.

Frank Davidson, food retail analyst at James Capel Many of the superstores outlets are

Analysts questioned whether Iceland, a specialist frozen food retailer, could

avoid long-term decline in a

market marked by intense

rivalry from the big supermar-

kets. "It's not a brand deficiency, it's a concept defi-ciency," said Mr Dave McCarthy at BZW.

Analysts, who had been

expecting profits of about

273m for 1996, lowered esti-mates to £62m-£63m, against profits of £72.6m last year. The

shares fell 24p to 118p.

forecast

By Simon Kuper

Medeva's

£34m beats

Medeva, the drugs company, raised interim pre-tax profits 17 per cent to £33.9m (\$52.9m),

nearly £1m higher than the company forecast last mouth when it announced a big

acquisition.

The shares rose 7p to 234p.

It said there was "nothing adverse to report" so far on its \$400m acquisition from Rhône

Ponlenc Rorer in June of much

of Fisons' former US drugs

business and some French

Turnover rose 11 per cent to £129.1m for the six months to

June 30. Sales of methylpheni-

date, Medeva's main drug which treats attention deficit

disorder, rose by 25 per cent to

£55m, raising its share of turn-

Medeva said the acquisition

of the RPR businesses would reduce the company's depen-

dence on methylphenidate.

The deal would lift annual

sales by a fifth to more than

over from 36 to 43 per cent.

its 25-year history.

would also be hit.

issued will be left in the ownership of sub-underwriters. This could act as a drag on shares in a company which until recently was one of the UK stock market's star per-

The rights issue disappointment is the latest in a series of recent setbacks for the biotechnology sector. Over the last week flotations by blotech and drugs companies such as Cambrio, Alizyme and Therapeutic

David S Smith cautious

gest processor of waste paper, prices for which during the year see-sawed between £20 and £120 per tonne. This vola-tility was reflected in the

demand for corrugated card-

board, one of the group's main

products, which also varied widely in the period. Mr Peter Williams, chief

executive, said margins had been maintained despite "very difficult trading conditions".

**NEWS DIGEST** 

RBC World Service.

opportunities in Hungary.

The World Service said yesterday that the collaboration

with GWR to secure a licence for a network of nine news and

GWR will have a 33 per cent stake in the venture, but the

BBC has an option to take 10 percentage points of GWR's

The World Service has been broadcasting in Polish since

1939 and has a weekly audience of 2.3m. It will provide news,

current affairs and other programming to the editors of the

Inforacio network in Warsaw.

Mr Gienek Smolar, head of the Polish Service, said yester-

day. The Polish licensing authorities stated that they hoped the participation of the BBC in this venture would bring BBC

standards and programme traditions to the Inforadio net-

GWR, which by making acquisitions has become one of the largest radio groups in the UK, has increasingly been expand-

ing abroad. Its interests now include stakes in radio stations

in New Zealand, Bulgaria and Austria and it is looking at opportunities in Hungary. Raymond Snoddy

Costain yesterday rejected criticism that it was seeking to railroad shareholders into accepting a rescue refinancing, say-ing the proposals were the only means of securing continued

support from its bankers.

Kharafi, a privately owned Kuwaiti industrial group which owns 19 per cent of the British construction group, has criticised the terms of a 273.6m share issue, expected to leave Initia,

a Malaysian construction company, with a 40 per cent stake in Costain. It said the 50p a share offer was inadequate and unfair to existing shareholders. It wants Costain to seek a two

to three month moratorium with its bankers to allow time for

counter proposals to be drawn up.

Mr Alan Lovell, Costain's chief executive, said existing

shareholders could subscribe to the issue and maintain the

were "presently the only available means of securing continued support from the banks" which the group needs to continue trading. Any suggestion of a three month moratorium is

The company needs a simple majority from shareholders at an extraordinary meeting, to be held in London on Monday, for the refinancing to proceed.

Andrew Trulor

First Maryland ahead at \$32.5m

First Maryland Bancorp, the wholly owned US subsidiary of Allied Irish Banks, reported net profit of \$32.5m (£21m), up from \$29.1m in the three months to June 30, lifting the half

It said asset quality remained strong, with non-performing assets reduced to \$48.4m or 0.44 per cent of total assets.

Mr Tom Mulcahy, chief executive, said: "The benefits of the

increased focus on developing retail and fee-related business are reflected in in the strong profit performance".

BOC, the international gases group, has made its first move into the Russian industrial gas industry. It has agreed to pay an undisclosed sum for a controlling

interest in the Volgograd Oxygen Factory, one of Russia's top

three industrial gases companies, and the leading supplier to industry and hospitals in southern Russia.

**BOC** expands into Russia

year result from \$57.7m to \$62.6m.

Costain rejects criticism

talk radio stations in Poland was a pattern for the future.

Continuing volatility led to

despite 25% advance

Antibodies have raised less money than initially intended, while Cambrio postponed its debut to the end of the month. British Biotech, the sector leader with a market value of £1.28bn, last night had yet to announce the result of the

The company's shares fell 67p to £19.63 yesterday, against an issue price of £20.50. They peaked at £32.65 in May. The company's main pipeline

an uncertain optlook. Mr Wil-

liams was also cautious on the

general economic picture in

continental Europe, although

Paper and packaging increased operating profits 27.

There were several acquisitions in the period, including a controlling interest in a Polish

waste paper group and the pur-chase of a French plastic crate

manufacturer. Further acquisi-

the UK appeared brighter.

per cent to £110.5m

tions are planned.

product is marimastat, a drug which might be able to treat most cancers. It has entered phase III clinical trials and could reach the market in 1999.

Kleinwort Benson, underwriter, was left holding no new shares as the issue was entirely sub-underwritten. The 50 sub underwriters, most of them British Biotech shareholders - including Morgan Grenfell, Mercury Asset Management and Legal & General

Assurance - hold about grown of new shares between them. The largest sub underwriter is thought to have been left with about £5m of the stock.

Mr Robin Gilbert, an analyst at Panmure Gordon, said: "It leaves a lot of stock in the hands of people who don't really want to hold it, acting as a drag on the market."

Analysts believe the bear market in biotech stocks is partly due to market satiation.

### Peter Williams (left), with David Buttfield, finance director

### RESULTS (25) (0.319) (6.27) (0.578♥) (28.9) (0.92) (2.71) (3.51) (96.7) (1.29) (3.95 ) (3.95 ) (32.9 ) (7.06 ) (115.9 ) (93.1 ) (40.5 ) (35.2 ) (1,029 ) (26.4 ) ... Yr to Maey 3 . Yr to Apr 30 Yr to Apr 27 Yr to Mar 31 nvestment Trusts

0.327 5.79 (0.193 ) (6.91 ) 8.574 2.59 Barnings shown basic. Dividends abown net. Figures in brackets are for corresponding period. After exce

# **Utd Utils** to meet investors on scheme

and William Lewis

Utilities, United multi-utility based in the north-west of England, is to meet leading institutional investors soon in an attempt to beat off a threatened shareholder revolt at its annual

meeting. Five institutional investors said yesterday they were keen to enter into talks to resolve concerns over a proposed long term incentive plan (L-Tip) for directors. One, Clerical Medi-cal and General, confirmed it would be voting against the

The Association of British Insurers said on Tuesday that several of its members planned to vote against the the scheme was "over generous and over complex

Mr John Tetlow, United company secretary, said yesterday the group was unlikely to change the plan, having consulted the ABI and seven large institutions about it before publication, but that it was keen to bold further talks. Mr William Claxton-Smith, assistant investment manager of Clerical Medical, said that

holders' interests. "In general we look at the whole package. And it does appear that this is a fairly generous package." Under stock exchange rules introduced following the Greenbury committee's report on executive pay, companies have to gain shareholder approval before introducing new L-Tips. United requires a

simple majority of votes cast at the annual meeting on July

26 for its L-Tip to be passed.

the scheme was not in share-

## LEX COMMENT **Utd Utilities**

Who will challenge the fat cats? At United Utilities, United Utilities institutional investors seem surprisingly keen to do so. And they are right to ask tricky questions. They should start with the suspicious fact that every target in the company's bonus scheme for executive directors was met in full last year. Then there were the big extra bonuses paid to reward three directors for buying Norweb: if the deal was as good for shareholders as United claimed, surely

directors' share options

should have been incentive enough. Against this backdrop, it is easy to see why institu tions worry that the planned new long-term incentive plan will be too lavish. Assume, say, United's total shareholder return for a particular three year period was in line with the FT-SE100 median, and assume that was a pedestrian 15 per cent: the plan would still pay the company's chief executive a £112,500 bonus. On top he would get up to £120,000 under a separate "short-term" scheme linked to vague internal targets and his basic salary has been increased 25 per cent to

Even if such largesse can be justified for United's chief executive, the institutions are right that granting such rewards to the company's chairman as well is clearly excessive. Nonetheless, the long-term scheme is the wrong target: it is, after all, the part of the directors' new remanerators package which will serve shareholders' interests best. Institutions would do better to concentrate on tightening up the short-term scheme and keeping basic salaries under control.

## Sema buys Olivetti's facilities offshoot

Sema Group, the Anglo-French diately for a 75 per cent stake computing services company. is acquiring Syntax Processing, the facilities management arm of Olivetti of Italy, writes Alan

(\$99.8m), will create one of Europe's largest outsourcing operations.

1997 for the remainder. It will also pay Olivetti 29.5m for the Syntax name and trademark. To fund the purchase Sema is raising about £99m after The deal, worth about £6-im expenses through a 2-for-II

and £22.6m on December 31

rights issue at 595p a share. The shares rose 14p to 705p on Sema is paying £32.1m immethe announcement.

### Polish plan links REPORTS STRONG GROWTH **GWR** and **BBC** IN HALF YEAR RESULTS GWR, the Swindon-based commercial radio group, is planning to seek radio operations in Europe in co-operation with the

The Woolwich Building Society yesterday announced interim results covering the period to 30 June 1996.

**GROUP HIGHLIGHTS:** 

PRE-TAX PROFIT AFTER PROVISIONS UP 29% TO £183m GROSS LENDING BY EXISTING BUSINESSES UP 72% TO £2.2bn NET LENDING BY EXISTING BUSINESSES UP TO £1bn UNDERLYING COST TO INCOME RATIO DOWN TO 45.9%

SUBSIDIARY PROFIT CONTRIBUTION MORE THAN DOUBLED TO £25m

Commenting on the results, Woolwich Group Chief Executive, John Stewart, said: "The first six months of 1996 has been a period of strong growth for the Woolwich demonstrated by pre-tax profits of £183 million, 29 per cent up on the same period last year, with growth evident across the Group. We are on track for conversion and flotation around this time next year."

"The product and geographical diversification of the Woolwich Group over the past six years has resulted in successful expansion into key personal finance businesses including unit trusts, life assurance. general insurance and lending operations in both France and Italy. Woolwich subsidiaries are contributing an increasing percentage to Group profit."

CONVERSION AND FLOTATION

In specific reference to the decision to convert to public company status, made in January 1996, Mr Stewart confirmed:

"We are on target for conversion and flotation around this time next year. The underlying strengths of our business, reflected in these results, demonstrates the potential for the Woolwich as a converted company."

OTHER EVENTS

During the period, other key events contributed to the interim results:

Purchase of the residential mortgage book of £712 million from Midland Bank SA (France) thus doubling the mortgage assets of Banque Woolwich.

Sale of Chestertons Residential for £8m.

Woolwich Corporate Bond PEP, which became the fourth largest fixed interest fund after just six months, with funds under management of £137m and 36,000 unit holders.

THE FUTURE

Looking to the next year and the period beyond flotation, Mr Stewart said: "Over the five years following conversion and flotation we intend to make good use of our experience in start-ups, mergers, acquisitions and joint ventures to build on our existing businesses, particularly the core U.K. savings and loans business, unit-trusts, life assurance and the Woolwich operations in continental Europe.

On conversion we will continue to be owned by our members in their new role as shareholders. Although they will have the option of realising the value of their equity investment in the Woolwich by selling their shares. I believe that many of our owners will retain their shareholdings because they see the potential for future growth."

> It's good to be with the WOOLWICH - BUILDING SOCIETY-

**WOOLWICH** 



BANCA WOOLWICH















# Somerfield float given impetus by 43% rise

By Christopher Brown-Humes

Somerfield, the UK's fifth largest supermarket group, has given impetus to its flotation plans by announcing a 43 per cent rise in annual operating profits and continued momentum in the current year.

The group, formerly known as Gateway, achieved betterthan-expected operating profits of £100.5m (\$157m) for the year to April 27 - despite virtually flat sales of £3.16bn (\$4.9bn).

Somerfield benefited from a 1 percentage point rise in its gross margin, increased effi-ciency, and an estimated 3 per cent rise in like-for-like sales at its upgraded Somerfield stores. But there was a 4 per cent fall in like-for-like sales at the older Gateway stores, which are steadily being converted to Somerfield formats. There was also a disappointing perforcount store chain, where com-

Tomkins the industrial

conglomerate, believes it could

extract savings of up to £250m

(\$390m) through improved

financial controls and reduced

stock levels at Gates Corpora-

tion, the US components group

it is acquiring for \$1.37bn

The UK group, which is

today expected to report full

year pre-tax profits of £320m-

£330m (£303m), plans to impose

tighter management on Gates's

working capital once the deal

has been completed at the end

Mr Ian Duncan, finance to £131.6m.

By Tim Burt

(£870m).

parable sales dropped by as much as 5 per cent. Somerfield's figures build on its recovery since 1993, when it

was close to collapse under the debt problems of its owner. Isosceles. However, total like-for-like

sales growth last year lagged the industry average of more than 5 per cent. And although the operating margin recovered to 3.2 per cent from 2.2 per cent, it is still well below the 7 to 8 per cent level achieved by the sector leaders.

Somerfield will not provide a pre-tax figure until it presents its flotation prospectus, complete with a pricing range, later this week. However, after estimated interest and exceptional charges of £15m, proforms pre-tax profits would come out at about £85m, and after-tax profits at about £57m. If the group is valued on a p/e of between 9 and 10 - as

analysts expect - it could

director, predicted the savings

could be made over three years

by applying Tomkins' stock

controls at Gates's 41 factories.

"Their inventories are unbal-

anced to market require-

ments." he said. "At Tomkins.

we run at just one third of the

Gates, which manufactures

power transmission belts,

hoses and connectors, saw its

stock levels increase by 19 per

cent last year from £170.2m to

2202.2m - a period in which

pre-tax profits fell from £48.2m

to £40.3m. Of those stocks, the

value of finished goods held at

Gates plants rose from £109.4m

expect to raise between \$512m and £570m through the flota-

However, the group has run into a more difficult new issues market and some analysts remain concerned about its weak brand name, its emphasis on the high street as opposed to out-of-town stores and its lack of sustained record of improving profit.

Mr David Simons, chief executive, dismissed suggestions that the flotation was facing difficulties, but admitted some institutions had expressed concerns about long-term growth prospects in a fiercely competitive market dominated by stronger competitors. He said the group had had "very positive" feedback from

institutions and noted that

80,000 Somerfield shoppers had

registered an interest in the sell-off. He suggested pricing had to be realistic. Mr Simons said the group

Some analysts, however, said

Tomkins was being too opti-

mistic in its forecasts: one

suggested it might save no

more than £130m through cost

reduction measures. Nevertheless, Mr Greg

Hutchings, chairman, pre-

dicted unit costs would fall as

Tomkins increased sales of

Gates components in emerging

markets. He also said there

were growth opportunities in

Europe, as motor manufactur-

ers switch from chain power

transmissions to timing belts.

there would not be any large-

scale redundancies among

But Mr Hutchings confirmed



David Simons: 80,000 Somerfield shoppers interested in self-off

id made "an excellent start" to the current year, with a higher rate of sales growth than last year. He said: "There is more buoyancy in the market, our brand is getting more established and we have more

converted stores. At the end of the financial

Tomkins, meanwhile, has

agreed to pay Mr Charles

Gates, chairman and chief

executive of Gates, \$250,000 a

year in consultancy fees as a

enlarged group.
It has also pledged to con-

tinue an estimated £100m law-

suit against Bando, the Japa-

nese belts manufacturer, over

its alleged "misappropriation

of trade secrets" and the

infringement of Gates patents.

If the legal action is resolved

successfully, Tomkins has

undertaken to pay up to 80 per

cent of the proceeds to the

Gates family through the issue

of new shares in the UK group.

ion-executive director of the

year, the group had 343 Somerfield stores, 238 Gateway stores and 28 Food Giants. It has since switched 20 Gateways to the Somerfield format. The group plans to complete its store conversion programme. which has already cost £175m, by the end of next year.

### Tomkins sees £250m cuts at Gates **EBS** buys service arm

The KBS partnership, the electronic foreign exchange broker, has bought Citicorp Dealing Resources from Citi-bank for more than \$150m. The deal means that EBS, which was developed and is owned by 13 leading foreign exchange banks, becomes a

for \$150m

full control over its support Previously, CDR provided operations, maintenance and technical services to EBS, but the activities of the two were not always fully harmonised. Now, EBS will be in a position to harness CDR's capacity to

fully integrated company with

its own purposes. Mr Peter Bartko, chairman of EBS, said: "We expect to quickly realise the benefits of the unified business as we work together on product enhancement, focused marketing and distribution and we intend to maintain and improve our market position."

EBS and Reuters 2000-2, the other electronic broking system, have made large inroads into the foreign exchange market. Together they are believed to have about a 40 per cent market share in the spot brok-

almost identical structural reorganisation six weeks earlier, cites the changing marketplace as part of its rationale. It has created an global institutional business, SBC Brinson, built around its US acquisition, Brinson Partners, which has an expertise specifically in international equities. It also formed a domestic business which covers the private client asset management divisions.

Swiss to shake up

Switzerland? For decades, the

quiescent clientele of the Swiss

banks' fund management arms

have been content with a ser-

vice aimed at guaranteeing

But in recent weeks, two of

the three largest banks. Swiss

Bank Corporation and Credit

Suisse, have announced a

shake-up of their corporate

structure which includes a

reorganisation of their asset

Credit Suisse's move, which

came only last week, effec-

tively splits the fund manage-

ment operations into two dis-

tinct corporate entities. These

are Credit Suisse Private Bank-

ing, which is to be part of the bank's domestic Swiss activi-

ties, and Credit Suisse Asset

Management, an autonomous

division within the group's

Credit Suisse First Boston.

institutional banking arm,

Credit Suisse has not yet

talked about the reorganisa-

tion's rationale, except for a pronouncement that: "The new

structure responds to increas-ing globalisation and the needs

But some data from Micro-

pal, which measures the per-

formance of retail investment

funds, offers some interesting

insights into the strengths and

weaknesses of the CS business. The bank's Swissac domestic

equity fund ranks in the top

quartile of similar funds over

bond funds show similarly

good performance. But its CS Tiger Fund, a Pacific Basin

emerging markets fund which

is one of the world's largest,

ranks near the bottom over

Mr Chris Poll, Micropal's

chairman, says that the weak-

nesses of Swiss players gener-

ally in international equities is

likely to become their Achilles

heel. "Swiss banks have oper-

ated in a closed-shop environ-

ment. But wealth is becoming

more international." Mr Poll

estimates that 50 to 70 per cent

of Swiss assets are from non-

domestic clients and these

Credit Suisse's competitor,

view their wealth as mobile.

similar periods.

-, 3- and 5-year periods and its

of the group's markets".

management divisions.

their capital and anonymity.

Banks face new challenges, writes Norma Cohen

Moreover, the advent of new pensions laws in Switzerland has increased the demand for fund management. Because of the introduction

of compulsory pensions (in 1986), Switzerland has become one of the most important asset management centres in

FUND **MANAGEMENT** 

the world," says Mr Gabriel Herrera, managing director of Swiss institutional asset management at SBC.

The law requires any employer of three people or more to create an occupational pension scheme. This has spawned a large number of schemes and, perhaps more significantly, has encouraged the managers of some existing schemes to think harder about the investment returns needed to provide benefits. And because equities have offered higher real returns than bonds, fund managers need to demonstrate their expertise in that area as well.

Moreover, some bankers privately say, the recent co-operation which Swiss authorities are giving to law enforcement officials in other countries is encouraging so-called hot money to move elsewhere. So Swiss bankers see fewer clients who only desire are anonymity and capital preservation.

This new competitiveness. Mr Herrera argues, is encouraging the polarisation of the Swiss asset management business. "Either you are a compe-

Whatever is happening in SBC, which announced an tent local manager or you are a iruly global player," he says. Mr Chris Nowakowski, president of InterSec, the US-based pension investment consultancy, says the changing client base is forcing Swiss banks to change their accroach. "Their bread and butter had been an unnamed account who was only interested in capital preservation and didn't care about

performance," he says. "At the same time, we are seeing the growth of institutional asset mangement," Mr Nowakowski says. "And that money is interested in more than just capital preservation. One indication of how com-

petitive the market has become is that the Swiss Bankers Association has awarded InterSec a contract to measure the performance of individual Swiss funds, although none of its data may be released publicly. Also, from next January, the Association has agreed a format for calculating performance, which bankers may use in their marketing materials. Another indication of the

growing competitiveness is the use of professional consultants to help institutional clients choose a manager. Mr Nowakowski estimates that as many as two-thirds of institutional clients now use a consultant for at least a portion of their funds. This has allowed foreign fund managers to make first inroads into the traditionally closed Swiss market.

However, no one is suggesting the Swiss banks risk losing pole position in their home market any time soon. For one thing, restrictions on pension investments require heavy asset allocations in Swiss bonds and equities, the sectors in which the banks do best.

Second, they are demonstrating their determination to fight back by buying in expertise they do not already have.

"If only the Swiss could combine their reputation and their name with ability and performance," says Mr Poll wistfully. "Then they could have this market sewn up." The only question is whether they have left it too late.

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# Nielsen set to lose contract

By Raymond Snoddy

of this month.

AC Nielsen, the international television ratings and market research group, is in danger of losing a contract in Ireland before it has begun unless it can meet a final deadline.

The company - which is part of Dun & Bradstreet, the information group - was supposed to begin offering a more comprehensive television ratings service to RTE, the Irish national broadcaster and the Irish advertising industry, on May 1.

But, according to RTE executives, this deadline was not met, and nor was a plan to begin the new ratings service on June 1.

Now Nielsen has been told it has to provide evidence by August 8 that it can offer the new comprehensive ratings research from the beginning of

September. This deadline is seen as final, and if the company cannot meet it the likelihood is that RTE and Irish advertisers could go elsewhere for their ratings research.

Under the terms of the contract - won in a competitive tender - the market research group had to increase the size of the audience panel monitoring viewing habits in Ireland,

Gates's 14,000 staff.

from 400 to 600. Accurate audience research is particularly important for RTE, which has to battle against the main British channels available in many parts of

Nielsen is in the midst of corporate restructuring. It won the contract from the existing holder, Irish TAM.

### **Guinness Mahon** offshore growth

Guinness Mahon, the London merchant banking arm of the Bank of Yokohama, is to expand its offshore private banking and trust business by buying a 42.6 per cent stake in New World Group Holdings from the US's CoreStates Bank

New World has \$2bn of funds under administration. Philadelphia International Investment, subsidiary of CoreStates, will retain an equal holding with Guinness Mahon in New World, but Guinness will take over management control.

## APPOINTMENTS ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the international edition every Friday. For further information please call:

Toby Finden-Crofts on +44 0171 873 3456 Andrew Skarzynski on +44 0171 873 4054

## **ASTIKA AKINITA**

INCORPORATED COMPANY OF REAL ESTATE CONSTRUCTIONS TOURIST AND RELATED ENTERPRISES

REPEAT PUBLIC CALL FOR TENDERS FOR THE SALE OF THE ASSETS OF THE "SKIATHOS PRINCESS ELISABETH" HOTEL UNIT

capacity as special liquidator, by venue of Judgements nos. 593/1994 and 229/1996 of the Lanssa Court of Appeal, of the assets of the hotel unit under the little "SKIATHOS PRINCESS ELISABETH" (henceforth referred to as the "Enterprise") which is owned by the incorporated company "SKIATHOS TOURISM HOTEL AND GENERAL ENTERPRISES P.V. DERVENIS S.A." ANNOUNCES

a repeat public call for tenders with sealed, binding offers, for the safe of the assets of the "Enterprise" which has come under special liquidation by virtue of article 46a 1 1892:1990. BRIEF DESCRIPTION OF THE UNIT

The above unit is owned by the incorporated company "SKIATHOS TOURISM HOTEL AND GENERAL ENTERPRISES P.V. DERVENIS S.A. which was established by actino 10.876/31.10 1998 of the Skiathos, notary public Christos K. Giasacias, with head offices in the Municipality of Swathos, Prefecture of Magnisia. The company operated the hotel unit until the issue of the above judgements by the Larissa Court of Appeal. whereupon it came under special liquidation as provided by article 46a. L 1892/1990 and the company ASTINA AKINITA S.A. was appointed special

The hotel unit under sale belongs to the Luxury Class and has a capacity of 133 morns- 264 beds. It is located on the coast at Agua Paraskevi, Isle of Stuatnes, at a distance of approx, 6klm, from the lown, on a site with a total area of 27,345,00 sq.m. The hotel complex consists of seven (7) main buildings - wings covering a lotal land area of 4.115.25 sq.m. plus covered areas, a joial constructed area of 8,932 sq.m., and a number of autiliary buildings serving the additional operational requirements of the unit

any interested party to receive an ofter memorandum and submit a sealed binding offer accompanied by a letter of guarantee by a Bank operating lawfully in Greece, for the sum of the hundred and lifty million drachm (Drs. 150,000 000) and the contents described in the offer memorandum.

- 1. The public call tenders will be carried out in accordance with the provisions of article 46a, L.1892/1990 which was added to the law by virtue of the provision of article 14, L.2000.91, as amended, modified and applicable, the terms included in the present call for tenders and the torms of the primary and the additional offer memoranda, which interested parties may obtain after submitting a pleage of confidentiality
- 2. In order to participate in the call for lenders, interested parties are invited to deliver a sealed, binding offer in writing by 11:00 Tuesday, July 30, 1996 to the Skiathos notary public Christos K. Glasagias, 28 Papadismanti street, 370 02 Sklathos, Iel.: (0427) fax: (0427) 2.1988.
- 3. The offers and the lotter of guarantee must be delivered in a sealed. opaque envelope by the interested party in person or by a duly authorised representative
- 4. The offer must member clearly the amount offered for the purchase of the hatel unit ("Enterprise") and must not contain any lerms, options of vague phrases which might create uncertainty as to the amount, the manner of payment of the sum being offered or other matters related to
- 5. Offers delivered after the expiration date will not be accepted and will not be considered. The binding nature of the offers will apply until the award
- 6. The assets of the "Enterprise" and all the secondary fixed or current attributes of which they consist, such as mall estate, moveable objects, claims, name, title, rights, etc. will be sold and panisherrod less and where they are", i.e. in their real and legal condition and at the place where they are located on the date of signing the contract of sale.

"ASTIKA AKINITA S.A." (43 Panepishmou str., 105 64 Athens), under its capacity as special liquidator, by write of Judgements nos. 593/1994 and 229/1996 of the Lanssa Court of Appeal, of the assets of the hotel unit under applicable) are not liable for any legal or real detects or the lack of any attributes of the objects and rights being sold, nor are they liable for any omissions or inaccuracies contained in their description in the offer memorandum or any correspondence

> B. Interested potential purchasers are obligated, under their own supervision, and by their own means, expenses and personnel, to investigate and acquire a personal perception of the objects being sold. ention in their offer that they are fully informed as to the real and legal status of the assets under sale.

> The liquidator and the creditors mentioned in para, 7 above are entitled, according to their own judgement, to reject offers containing terms and whether they are superior to other offers as regards the amount being offered. In every case, the creditors are entitled, according to their own judgement, to dismiss offers containing terms or options, regardless of either such offers are superior to others, or consider such ferms as not included, in which case the offer remains binding as to its contents (article 2. para 3, L.2302/1995).

10 in the event that the highest bidder violates his obligation to come forward and sign the relevant contract within ten (10) days from the invitation by the liquidator and observe the obligations aris present announcement, the letter of guarantee is lorigited in tayour of the liquidaling company towards covering all its expenses of any type and its services, as also any direct or indirect damages, without the necessity of proving specific damage and as a penal clause in tayour of that company, deemed as having been submitted with the offer, so that the guarantee may be collected from the issuing Bank.

The letters of guarantee are returned to all the other participants following the evaluation report of the liquidator, and to the successful bidder, to whom the sale will be awarded following the payment of the amount agreed and the draiting of the payment order.

11. The seals of the offers will be broken by the notary public mentioned above, at his office, at 12:30 on Tuesday, July 30, 1996.

12. The successful bidder will be the party whose offer will be judged by the liquidator and approved by the creditors mentioned in para, 7 of the isent, as being the most advantagoous for the creditors of the

13. The liquidator will notify the successful bidder in writing of his obligati to come forward to the place and at the time determined in the notification, for signing the contract transferring the assets, according to the terms of the offer and any improved terms that may be indicated by the creditors and agreed with the highest bidder.

14. All expenses and costs arising from participation in the tender and the transfer of assets (such as taxes, stamp duly, notarial less, V.A.T., publications, etc.) will burden the interested potential purchasers and the highest bidder, as referred to the above offer memoranda

15 In the event of part of the purchase amount being on credit, the highest bidder will be under the obligation to provide any guarantee requested by the liquidator according to its own, exclusive judgement, and will be burdened with all related expenses and leas for the formation of such quarentees and their cancellation.

16. The lauddelor and the creditors will not bear any responsibility or liability inst those who participate in the lender as regards the evaluation of the offers, their recommendation of the successful bidder, the decision for the repetition or cancellation of the tender and any other decision relevant to the procedure and realisation of the lender.

17. The present announcement has been drafted in the Greek language and

translated into the English language. In every instance however, the Greek text will provail interested parties may collect offer memorandums and receive other Information from Mr. George E. Polmerides and Mr. Alexandros Meggos, 43 Panepistimiou str., 105 64 Athens, tel. nos: 326.6113 and

325.8080, fax no: 326.6118.

### **ASTIKA AKINITA**

INCORPORATED COMPANY OF REAL ESTATE CONSTRUCTIONS TOURIST AND RELATED ENTERPRISES

REPEAT PUBLIC CALL FOR TENDERS FOR THE SALE OF THE ASSETS OF THE "MARTIN BEACH" HOTEL UNIT

capacity as special liquidator, by virtue of Judgements nos, 593/1994 and 229/1996 of the Larissa Court of Appeal, of the assets of the hotel unit under the title "MARTIN BEACH" (hericeforth referred to as the "Enterprise") which is owned by the incorporated company "MARTEN BEACH HOTEL S.A."

a repeat public call for tenders with sealed, binding offers, for the sale of the assets of the "Enterprise" which has come under special liquidation by virtue of article 46a L 1892/1990.

**ACTIVITIES AND BRIEF DESCRIPTION** OF THE COMPANY

The above unit is owned by the incorporated company \*MARTIN BEACH HOTEL S.A." which was established by act no. 10.077/16.1.1986 of the Athens notary public K. Gianoulas. The head offices of the company according to its articles of association is the Municipality of Skiathos, Prefecture of Magnisia. The company operated the hotel unit until the Issue of the above judgements by the Larissa Court of Appeal, whereupon it came under special liquidation as provided by article 46a, L. 1892/1990 and the company ASTIKA AKINITA S.A. was appointed special liquidator.

The hotel unit under sale belongs to Hotel Class B and has a capacity of 41 rooms - 80 beds. It is located at Tzanena, Isle of Sklathos, at a distance of approx. 4,5 km. from the town, on a site with total area of 4,988,46 sq.m. The hotel complex consists of two (2) main buildings-wings covering a total constructed area of 2,230 sq.m. plus terraces and semi-covered areas, erected on litteen different levels in line with the considerable natural inclination of the

all interested parties to receive an offer memorandum, and submit a sealed. binding offer accompanied by a letter of guarantee by a Bank operating lawfully in Greece, for the sum of forty million Drachmae (Drs. 40,000,000) with the contents described in the offer memorandum.

CONDITIONS 1. The public call for tenders will be cerried out in accordance with the provisions of article 46a, L. 1892/1990 which was added to the law by virtue of the provision of article 14, L. 2000/91, as amended, modified and applicable. the terms included in the present call for tenders and the terms of the offer memorandum, which interested parties may obtain after submitting a pleage of

confidentiality in writing. 2. In order to participate in the call for tenders, interested parties are invited to deliver a sealed, binding offer in writing by 11:00 Tuesday, July 30, 1996 to the Skisthos notary public Christos K. Gissaglas, 28 Papadiamenti street, 370 02 Skiathos, tel: (0427) 2.2232, fax: (0427)

3. The offers and the letter of guarantee must be delivered in a sealed, opaque envelope by the interested party in person or by a duly authorized

4. The offer must mention clearly the amount offered for the purchase of the notel unit of the ("Enterprise") and must not contain any terms, options or vague phrases which might create uncertainty as to the amount, the manner of payment of the sum being offered or other matters related to the sale.

5. Offers delivered after the expiration date will not be accepted and will not be considered. The binding nature of the offers will apply until the award of the

6. The assets of the "Enterprise" and all the secondary fixed or current attributes of which they consist, such as real estate, moveable objects, claims, name, title, rights, etc. will be sold and transferred "as and where they are", i.e. in their real and legal condition and at the place where they are located on the date of signing the contract of said.

"ASTIKA AKINITA S.A." (43 Panepistimiou str., 105 64 Athens), under its 7. The liquidating company and the creditors representing 51% of total claims against the "Enterprise" (para. 1, article 46a. L. 1892/1990 as applicable) are not liable for any legal or real defects or the lack of any attributes of the objects and rights being sold, nor are they flable for any omissions or inaccuracies contained in their description in the offer memorandum or any correspondence 8. Interested potential purchasers are obligated under their own supervision and

by their own means, expenses and personnel, to investigate and acquire a onal percaption of the objects being sold, and to mention in their offer that they are fully informed as to the real and legal status of the assets under sale. 9. The liquidator and the creditors mentioned in para. 7 above are entitled, according to their own judgement, to reject offers containing terms and options, or the phrases referred to in para 4 above, regardless of whether they are

superior to other offers as regards the amount being offered. In every case, the creditors are entitled, according to their own judgement, to dismiss offers containing terms or options, regardless of whether such offers are superior to others, or consider such terms as not included, in which case er remains binding as to its other contents (article 2, para, 3, L. 2302/1995)

10. In the event that the highest bidder violates its obligation to come forward and sign the relevant contract within ten (10) days from the invitation by the liquidator and observe the obligations arising from the present announce the letter of guarantee is forferted in favour of the liquidating company towards covering at its expenses of any type and its services, as elso any direct or indirect damages, without the necessity of proving specific damage, and as a penal clause in favour of that company, deemed as having been submitted with the offer, so that the guarantee may be collected from the assuing Bank,

The letters of guarantee are returned to all the other participants following the evaluation report of the liquidator, and to the successful bidder, to whom the sale will be awarded following the payment of the amount agreed and the drafting of the payment order.

11. The seals of the offers will be broken by the notary public mentioned above, at his office, at 12:00 on Tuesday, July 30, 1996.

12. The successful bidder will be the party whose offer be judged by the liquidator and approved by the creditors mentioned in para. 7 of the present, as

being the most advantageous for the creditors of the "Enterprise". 13. The aquidator will notify the successful budder in writing of his obligation to come forward to the place and at the time determined in the notification, for signing the contract transferring the assets, according to the lerms of the offer and any improved terms that may be indicated by the creditors and agreed with the blahest bidder.

14. All expenses and costs arising from participation in the tender and the transfer of assets (such as taxes, stemp duty, notarial lees, V.A.T., publications, etc.) will burden the interested potential purchasers and the highest bidder as relerred to in the above offer memorandum.

15. In the event of part of the purchase amount being on credit, the highest bidder will be under the obligation to provide any guarantee requested by the liquidator according to its own, exclusive judgement, and will be burdened with all related expenses and lees for the formation of such guarantees and their

16. The liquidator and the creditors will not bear any responsibility or liability against those who participate in the tender as regards the evaluation of the offers, their recommendation of the successful bidder, the decision for the repetition or cancellation of the tander and any other decision relevant to the

procedure and realisation of the tender. 17. The present announcement has been drafted in the Greek language and translated into the English language. In every instance however, the Greek text Will prevail

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The state of the s

Dollar weak ahead of Fed testimony By Robert Chote The short-term prospects for the US dollar rest in the hands of Mr Alan Greenspan, the Federal Reserve chairman, who gives his Humphrey Hawkins testimony to Congress today. Pollowing Wednesday's sharp fall, the dollar edged lower yes-terday in nervous anticipation. Trading in the dollar was

much calmer yesterday than it had been on Wednesday, helped by rather less violent finctuations on the US stock market. The US currency closed half a pfennig lower against the D-mark in Europe at DM 14865 and half a yen lower at Y108.755. Wall Street's early recovery helped the dollar, although it

could not sustain any of its flir-tations above DML49. The D-mark's strength against the dollar was mirrored meanwhile in its performance against most other European currencies. The D-mark rose by five Italian lire

47,4399 8,8773 8,9929

7,7978 2,3018 365,543 0,9675

POUND SPOT FOR

Jul 17

the equity market or upset the bond market", said Mr Avinash Persaud, currency strategist at JP Morgan in London. "Either could be bad for the dollar". Rumours that central banks

fresh sense of direction.

-- Prev. cione --1.5890 1.5895 1.5892

to L1025, while the pound dropped 2.2 pfennigs against the D-mark to DM2.3018. But

the French franc edged up

from FFr3.389 to the D-mark to

close at FF13.387.

had been checking prices circu-lated around the market, but concrete intervention did not materialise. Mr Persaud said that the dollar could probably drop to around DML45 and Y106 before the central banks felt compelled to act. But Ms Alison Cottrell, at

Fears that the Federal Reserve would raise US interest rates before the next formal PaineWebber, said that if mar-kets collapsed in the aftermath meeting of the Federal Open Markets Committee have been of Mr Greenspan's perforall but dispelled by the fragil-ity of Wall Street. The markets have been left all the more relimance, central banks would probably be powerless to prop the dollar up. Intervention was ant on Mr Greenspan for a more likely if it started slip Ding again a comple of weeks "He is either going to upset deeper into the holiday season.

The chance of a cut in Ger man interest rates next week have been increased by the strength of the D-mark relative to the dollar, according to Mr Gerard Lyons, at DKB International. He added that the strength of the D-mark was clearly unwarranted, although trends would clearly be uncertain for the next few days.

Mr Lyons also pointed out

Mr Greenspan's dilemma if he

1.27

Adainst the Swiss franc (SFr per S)

"He has to deal with equity bears and bond bawks". ■The Swiss franc remained a

sought to calm the markets:

significant beneficiary of the dollar's weakness, with the US currency falling almost another centime to SF11.2145. Mr Persaud said that the long-term significance of the dollar's recent weakness

Jul 17

depended in part on whether it remained a US phenomenon or whether it developed into a more general unwinding of positions reflecting greater aversion to risk.

**CURRENCIES AND MONEY** 

He noted that many investors remained happy with high yielding European bond markets, and were worried simply by the currency outlook.

■Sterling had a difficult day yesterday, descending to a nine-week low against the D-mark as it suffered in sympathy with the dollar.

Against a basket of currencies the pound opened 0.4 points lower at 85.1 per cent of its 1990 value, before slipping by a further 0.3 points during European trading "That was a big move by any measure", said Mr Lyons. Sterling also fell almost a cent to \$1.5485.

Analysts said that sterling's travails were largely a reflec-tion of its umbilical link to the dollar, although investors also appear increasingly concerned

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by differences over interest rates between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, the governor of the Bank of England.

The minutes of the June 5 meeting revealed that Mr Clarke overruled Mr George's objections in cutting interest rates by a quarter-point. Economists fear a repeat perfor-mance when they next meet at the end of this month.

The fall in average earnings growth from to 3.5 per cent in the year to May was a welcome surprise, but had little impact. Mr Steve Barrow, at Chase in London, said he doubted that sterling's decline would con-tinue for long, as it reflected

position-unwinding rather than fresh position-taking.

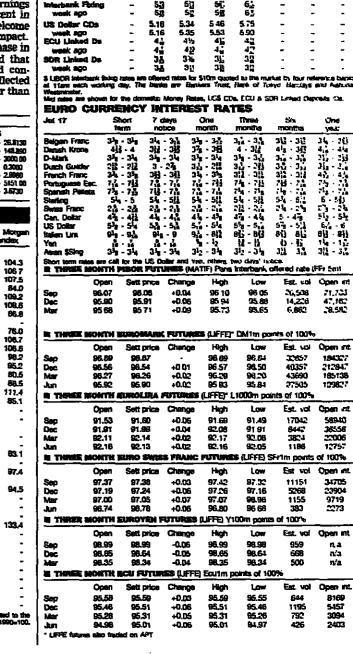
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WORLD INTEREST RATES

MONEY RATES

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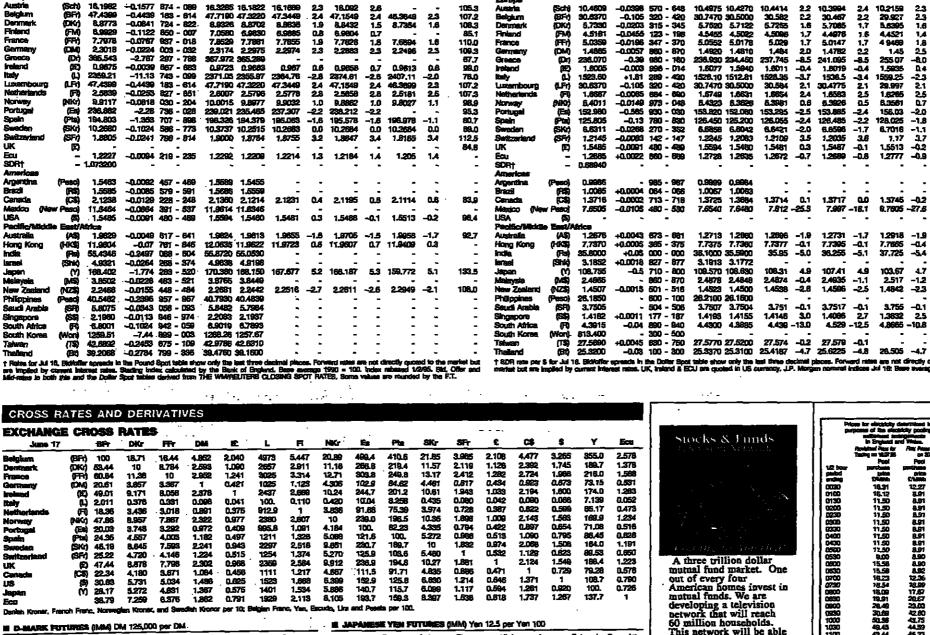
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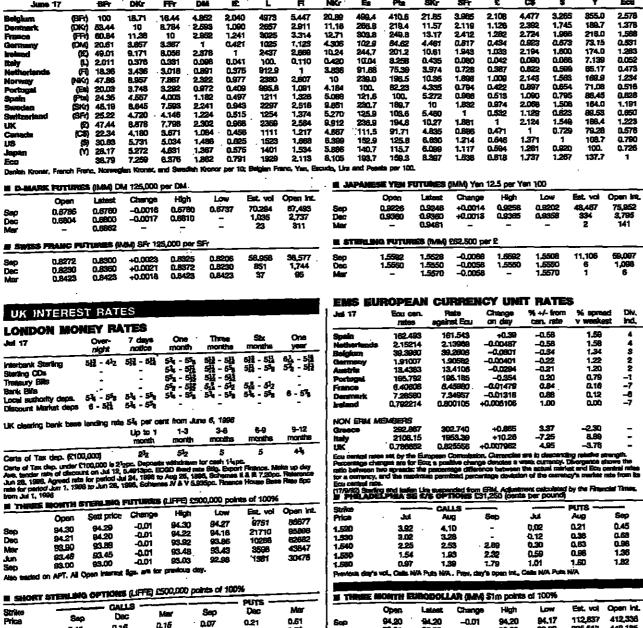
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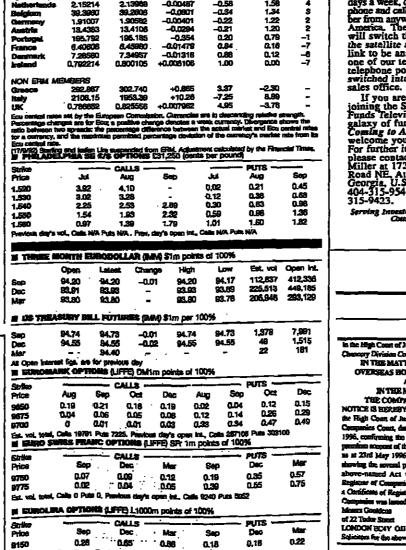


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Final Annual Final NOTICE TO BONDHOLDERS Nan Ya Plastics Corporation ("Nan Ya") (Incorporated in Talwan, Republic of China) US\$350,000,000 I 3/4 per cent. Bonds Due 2001. Formosa Chemicals & Fibre Corporation (Incorporated in Talwan, Republic of China) US\$250,000,000 1 3/4 per cent. Bonds Due 2001 ("FCFC", collectively, the "Companies") This is to inform you that Bondholders may exercise their Conversion Rights commencing from 1 August 1996. The Conversion Price will be, effective from 1 August 1996, NT849 for Nan Ya Bond and NT835 for FCPC Bond upon an adjustment due to a distribution of stock dividends in 1996. role to a distribution of stock dividence in 1996.

Following a further amendment to the Regulations Governing Securities investment by Overseas Chinese and Foreign Nationals and Procedures for Remittance, a foreign investor holding overseas convertible bonds and intending to effect conversion shall appoint a local agent to handle, for and on behalf of the loreign investor, conversion of the bonds into common shares (or Entiltement Certificates) of issuing companies, opening of a securities trading account with a local brokerage firm, keeping in custody of securities, paying ROC taxes, making confirmation and settlement, remitting funds, exercising shareholders' rights and performing such other matters as may be designated by such converting bondholder. The local agent must be a financial institution which is approved by the ROC Ministry of Finance to engage in agency business. In opening a securities trading account, the local agent, on behalf of the bondholder, shall trat obtain approval from the Taiwan Stock Eachange. Bondholders should consult with their local agent reparting the opening of securities trading account and New Taiwan dollar account for the settlement of securities transactions.

settlement of securities transactions.

Within five days from the Conversion Date, Nan Ya or FCFC (as applicable) will issue and deliver Entitlement Certificates to the local agent of the Bondholder. The English translation of the terms of Entitlement Certificates is available at the office of each Conversion Agent. Each of the Companies will issue new shares in exchange or the Entitlement Certificates occa ayeas. Each of the Companies has issed the close of business on the record date for determining the shareholders entitled to receive stock dividends of the relevant year, or if no stock dividends is to be distributed in any given year, the interest Payment Date, as a consolidation date ("Consolidation Date in the Companies will proceed with necessary filting and registration for capital increase in order to issue new shares in exchange for the Entitlement Certificates issued and outstanding on or before such Consolidation Date (including those for which Entitlement Certificates have not yet been issued, but have been registered in Nan Ya's or FCFC's shareholders register, as applicable).

Bondholders should also consult the terms and conditions restoring Conversion.

NAN YA PLASTICS CORPORATION PORMOSA CHEMICALS & FIBRE CORPORATION

### **LEGAL NOTICES**

is the High Court of Junier No.003030 of 1996 cery Division Companies Court IN THE MATTER OF HANSON OVERSEAS HOLDINGS LIMITED AND IN THE MATTER OF

THE COMPANIES ACT 1465 NOTICE IS HEREBY GIVEN that the Order of NOTICE IS HEREBY GIVEN that the Order of the High Court of Juntice, Chammery Division, Companies Court, dated Wednesday 10th July 1996, configuring the cancellation of the above premium accesses of the above-named Company as at 23rd May 1996 approved by the Court, aboving the several preticales required by the above-named Act was registered by the Registers of Companies on 15th July 1996 and a Continuous was larned on 15th July 1996. Means Gouldess of 22 Todor Street
LONDON ELECTY OIL In the High Court of Austice No.011762 of 1996 Chancery Division Companies Court IN THE MATTER OF REALISATION COMPANY PLC

INTER MATTER OF

PEALSATION COMPANY PLC

AND

IN THE MATTER OF

THE COMPANIES ACT 1985

NOTICE IS REFERY GIVEN that a Peption
was on 4th July 1996 presented to Her
Mayesty's High Court of Justice For the
confirmation of the reducation of the Cappal of
the Company Intel J. SOULON to ESOULON.

AND NOTICE IS FURCHIER GIVEN that the
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Registers of the Companies Court at the Reyl
Courts of Instinc, Streat, Lundon, WCZA 211
on Hat July 1996.
ANY creditor of shareholder of the said
Company desiring to appose the making of an
Order for the confirmation of the said reduction
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an person or by Cosmel for the purpose.
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## The Financial Times plans to publish a Survey on UK **Business**

**Property** on Friday, September 13.

This survey will provide sharp, insightful comment on the secol ndustry sectors of retail, office. industrial. warehousing and distribution. To advertise and take advantage of the FT's quality property decision making audience as the survey's long shelf life, please contact: Courtney Anderson on Tel: +44 (0) 171 873 3252

GBP 10,000,000 YORKSHIRE BUILDING SOCIETY Floating Rate Subordinated Notes

due 1999 Interest Rate Interest Penod 6.5625% July 15, 1996 October 15, 1996

Interest Amount due on October 15, 1996 per GBP 100,000 GBP 1,649.59 BANQUE GÉNÉRALE DU LUXEMBOURG Agent Bank

By Neil Buckley in Brussels

Mr Franz Fischler, European Union agriculture commissioner, yesterday outlined plans to "rebalance" the beef market in the wake of the "mad cow" crisis, including subsidies on calves sent for slaughter and a new European Commission purchase programme for younger cattle. He warned, however, that the plans - likely to cost billions of Ecus - would have to be paid for out of the existing agricultural budget. That could mean a sharp cut in subsidies paid to arable farmers, which

Mr Fischler discussed the plans with other commissioners in Strasbourg yesterday and will present them to agri-culture ministers in Brussels next week. He hopes to publish formal proposals by the end of the month so that action can be taken quickly after the com-

EU ministers have criticised as

needed to help cushion producers against the worst effects of the BSE crisis and avoid a massive build-up of beef stocks in public storage which would overhang and depress beef prices for the indefinite future," Mr Fischler said.

He warned that beef consumption had fallen 11 per cent since the "mad cow" crisis began, and prices had fallen 15 per cent, putting great pres-sure on beef producers. Mr Fischler's "supply" side

measures include introducing an intervention programme involving purchases by the commission to support the market - for young cattle of eight to nine months, reducing rights to beef subsidies on older cattle, and obliging all EU states to introduce a calf slaughter subsidy which has been voluntary since 1992. He said the Commission had

already intervened in the market to buy 180,000 tonnes of must be imposed before the

"Urgent and radical action is to have bought 600,000 tonnes by the end of the year. With each 100,000 tonnes costing Ecu210m-230m, that would put the total cost of the intervention programme alone at up to Ecul.38bn (\$1.7bn).

As new Gatt rules prevent the EU from selling surplus beef stocks cheaply into the world market, Mr Fischler warned that "over-production today would have to be off-set by under-production in the future".

On the "demand" side, he proposed rebuilding consumer confidence in beef through commission-sponsored promotion campaigns and a labelling programme to reassure consumers of the safety of beef. Meanwhile, the commission's special "multi-disciplinary" committee set up to monitor the phased lifting of the ban on UK beef exports postponed until next month a decision on whether tighter conditions

gelatine derived from UK beef. Agreement to lift the gelatine ban was reached last month, subject to certain conditions. But recent research into the safety of gelatine manufacturing suggested the conditions might not be strict

enough. • The European Parliament will today give the go-shead for a special inquiry into charges that the European Commission covered up the risks of "mad cow disease" as far back as 1990, writes Lionel Barber in Strasbourg.

The inquiry will examine allegations that an internal memorandum at the time called for disinformation to counter press interest in bovine spongiform encephalo-pathy. The Commission has dismissed the memo as a spoof and vigorously denies all charges of a cover-up.

Mr Franz Fischler, EU agriculture commissioner since January 1995, said he would co-operate with the parliamen-



Franz Fischler speaks at this month's Royal Show

tary investigation. He intended rent measures to ensure eradito publicise the Commission's cation of the disease and helm

## beef since April, and expected ban can be lifted on exports of Continental farmers share Britain's 'mad cow' gloom

any British farmers, mired in the gloom of the BSE crisis, believe the continental beef industry is gloating over their problems and eager to seize their mar-

But, insists a French government official, "that could not be further

from the truth". "It is a disaster for the French beef industry and there are fears that many extensive beef farmers could go

The crisis has hit the whole of Europe and the worst repercussions may yet be to come.

France is contemplating the slaughter of 250,000 beef cattle in the autumn unless consumer confidence

In Ireland, officials say more than 250,000 animals will have to be sold into intervention stocks later this year if vital markets do not reopen. Mr Ivan Yates, Irish agriculture minister, has been visiting Libya this week to try to persuade the country to resume imports of 100,000 live cat- for meat in Iran and for live animals

stopped after the crisis broke in Russia and Egypt are taking Irish

In Germany, consumption of beef is still 25-30 per cent below its pre-crisis levels and officials describe the situation facing the industry as "catastrophic". The government is considering measures to cut production by 10 per cent.

It is against this dire background that Mr Franz Fischler, EU farm commissioner, yesterday set out his ideas for cutting production and bringing demand and supply back into balance. Ireland, which holds the EU presidency, will press for swift action at

next week's farm council. 'We're waiting in trepidation for the autumn season," says Mr Dermot Murphy of the Irish agriculture ministry. This is when grass-fed beef cattle traditionally come to market in Ireland and France.

Prices of store cattle, ready for fattening, have dropped by nearly 20 per cent in Ireland, he said. Key markets

tle a year worth I£100m which in Libya are still closed, although

The EU beef mountain is rapidly being rebuilt. Germany has put over 60,000 tonnes of beef into EU intervention stocks since the crisis began. France 51,000 tonnes and the UK 20,000 tonnes. So far Ireland has only 14,000 tonnes in intervention but that will change dramatically in the autumn. During the last BSE-induced slump in demand in the early 1990s it was putting 250,000 tonnes in each

"We have a huge problem of oversupply in the market," said Mr Murphy. "That can only mean a taken tial drop in price, and that's taken place already. Something has to be done before the autumn."

The EU produces 7.5m tonnes of beef a year. But demand across the union is estimated to be about 15 per cent below pre-crisis levels. It it stavs at that level, as many fear, that would leave an overhang of 1.1m tonnes, or more than 3m cattle.

Holding animals back from slaughter may not be an option because so many have been building up on farms and eating grass since the spring that hay and silage stocks for winter feed are likely to be low.

In the short-term, using intervention stores to clear unwanted mature beef animals from the market is the only solution, says Mr Murphy. "But it's a question of what kind of inter-

Ireland is unhappy with the sugges tion that intervention weights should be much lower, though Germany supports it. Irish animals come to market at heavier weights and could thus be excluded from intervention, leaving

farmers with no outlets. In France, officials say, prices for cattle are still falling steeply, nearly four months after the crisis broke. In the last week alone prices have fallen 46 per cent. France produces many beef animals for export to Italy and Spain for fattening. The main export season starts in August and continues through the autumn. But demand

from these countries has dried up as

beef sales have fallen there too. "We don't want to kill these [excess] animals," says Mr Daniel Per-rin, director of the Meat Office, which controls intervention stocks. "We are looking at alternatives, but we don't have many solutions."

One problem cited in France and Germany is that retail prices for beef have remained stable despite the huge drop in demand ~ still down about 20 per cent in France.

In Britain supermarkets sold beef at a heavy discount in the wake of the crisis, helping to trigger a significant recovery in demand.

In Germany, however, individual butchers dominate beef sales and it appears unlikely that they would decide en masse to cut prices. In France, officials say, the drop in consumer demand for offal has forced slaughterhouses to charge more for prime cuts in order to cover their

Alison Maitland

# Rain washes out grain price surge

By Laurie Morse in Chicago

Chicago grain futures traders, who have been playing a sort of weather roulette over the past two weeks, were reeling Wednesday from the effects of heavy rains in the central Mid-

These alleviated a prolonged dry spell in critical maize and soyabean regions, and ended speculation that a drought could damage the crops. Maize and soyabean plants

are nearing sensitive pollination stages and analysts say the rains arrived soon enough to boost yields. Stocks of both feedgrains are at critically low levels in the US, and livestock merchants and other food processors are counting on burnner harvests to renew depleted

Last week weather forecasts for dryer-than-normal weather helped pump grain prices sharply higher.

However, revised forecasts for rain prompted a heavy wave of selling in maize and soyabean futures at the Chicago Board of Trade on Tuesday and the sell-off continued yesterday as the precipitation reached major growing regions.

At midsession yesterday CBoT maize futures for December delivery were down 1214 cents at \$3.54% a bushel, while contracts for spot delivery were 18 cents lower, the maximum single-day loss allowed by the exchange. Soyabean contracts experienced even larger losses, with the November delivery position off 20% cents at \$8 a bushel.

## MIM plans A\$500m copper development

By Nikki Tait in Sydney

MIM Holdings, the Australian metals group, is to spend A\$290m (US\$230) developing a new copper mine at its Mount isa base in Queensland, and a further A\$210m on expanding the copper smelter there.

The A\$500m investment will be spread over three years, with full production from the new mine - to be called the Enterprise Mine - set for end of 1999. It is the second major copper expansion announced by an Australian company this week, with WMC giving the green light to a A\$1.25bn expansion of its Olympic Dam copper-uranium project in

South Australia on Monday. Like WMC. MIM indicated that the investment was being made because of the company's faith in the long-term "fundamentals" for the metal - and despite the recent turmoil in the copper price in the wake of the Sumitomo affair.

The new mine will develop

the "3500" orebody at Mount Isa, in conjunction with the "3000" orebody which has been mined as the "Deep Copper Mine" since 1993. Initial annual ore production will be 3.5m tonnes, compared with the 1.5m tonnes now coming from the 3000 orebody.

MIM added that its existing principal source of copper ore at Mount Isa - the 1100 orebody - would also remain in production until the middle of the next decade, but with the new mine steadily taking over as the main production area.

The smelter expansion. meanwhile, will lift capacity from 175,000 tonnes a year to 250,000 tonnes. This increase is also designed to handle the production from the nearby Ernest Henry copper-gold mine which due to come tato production late next year, as well as the expanded Mount Isa output MIM has a 51 per cent interest in the Ernest Henry project, and is managing the

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	57 80	-0,51	58.35	57.75	1,235	8,895					
otal					26,917	112,911					
GAŞ	OIL PE	Situate	<del>!</del>								
	Sett	Day's				Open					
	price	chingo	High	Live	Yol	ict					
tig .	178.50	-0.75	179.25	177.50	5,871	22,533					
<b>ap</b>	175.50	-1.25	178.25	174.50	2,381	9,409					
•	174.50	-1.25	175.00	173.75	834	4,175					
ior	173.50	-1.50	174,50	173.00	334	1,920					
lec .	17275	-1.75	174.25	172.00	702	8,554					
<b>20</b>	171.25	-1.75	172.25	171.00	236	2,351					
oted					11,109	<b>55,538</b>					
NAT	URAL G	AS NY	EX (10.0	100 aast	ita; S/m	milita.)					

1962					44,217	142,011
■ GAS	OIL IP	S/loune	<b>.</b>			
	Sett	Day's		-		Oppo
	price	موهدين	High	Line	Yol	ict.
Abg	178.50	-0.75	179.25	177.50	5,871	22,533
Sap	175.50	-1.25	178.25	174.50	2,381	9,409
Oct	174.50	-1,25	175.00	173.75	834	4,175
Nov	173.50	-1.50	174.50	173.00	334	1,920
Dec	172.75			172.00	702	8,554
معتر	171.25	-1.75	172.25	171.00	236	2,351
Total					11,109	55,538
E NAT	URAL (	as m	<b>EX</b> (10,1	000 aad	Stat; Sta	olia.)
	Lates!	Day's				Орова
	price	change	High	Low	Wat	
Aug	2875	-0.065	2,774	265	7,513	29,351
Seep	2650	-0.095	2.760	2.520	5,806	29,263
Oct	2590	-0 099	2.675	2565	1,582	21,050
Xev	2.590	-0.065	2854	2.570	431	12,884
Dec	2605	-0.070	2679	2.595	503	15,668
Jan	2,605	-0,065	2.669	2.595	424	12,396
Total					17,533	161,130
	EADED					

-118 55 40 53.45 12.832 24.472 -0.94 55.50 62.00 4.501 20.869 -0.54 50.50 59.50 1.735 5.157 -0.49 59.50 57.45 603 2281 -0.70 57.15 56.45 558 1.957 -0.25 56 30 55.95 679 1.517

The second of th

GRAINS AND OIL SEEDS WHEAT LCE (2 per torine)

	Sett	Day's		_		Open
	price.	CHIEFE !		Table .	Yel	lut
Sap	111.15	+0.65	111.25	111.00	53	424
Rev	113.30	+0.65	113.50	113.00	83	3,029
Ster	115.35	+0.70	115.60	115,35	18	1.250
		+0.55			_	433
 الخار			119.60	11950	15	236
	120.50		119-00		-	26
Total		_	_	_	189	5.396
WHE	AT CB	(5,00X	ibu mir	; cents	9000 bt	
	477.50	-3	483.00	470.00	876	1,732
See	481.00			473.00		
Dec	490.00			482.00		
iiir	489.00			484.50		5.404
ilay					45	183
inay Jisi	418 00	- <del>-</del>	430.00	453.00 414.00	#3 64	2062
Jos Total	-19.0U	-9	-20,00	717.00	39,852 39,852	
		. <b></b>			-	•
HAL	ZE CIST	(5,000	क्रा भाग	: cents/	5680 bu	shel)
M	489.00	-12.75	500.00	478.00	3.077	3,032
Sap	386.50			386.50		
Dec				350.50		
#er				358.00		
				362.50		6.670
~	364.25			362.50		
intel Intel	30-23	-10	31 230	302.30	79,4181	
	LEY LC	<b>€</b> (£ pe	r tonne	}		
	104.00	€ (£ pe -0.25	r tonne	<u> </u>		129
BAR		-0.25		106.25		
E BAR Sep	104.00	-0.25 -		108.25		129 849
E BAR Sup Rov	104.00 106.50 108.40	-0.25 -0.10	106,50	106.25	34	129 849 205
Sep Sep Ser Jan Jan Jan	104.09 106.50 108.40 110.40	-0.25 -0.10 -0.25	106,50	106.25	34	129 849 205 51
Sup Ploy Jan Jan Jan Jan Jan	104.00 106.50 108.40	-0.25 -0.10 -0.25	106,50	106.25	34	129 849 205 51 15
E BAR Sup Nov Jan Har Har Total	104.09 106.50 108.40 110.40 112.00	-0.25 -0.10 -0.25 +1.00	106,50	106.25 - - -	34	129 849 205 51 15 1,246
Sup Har Jan Har Har Total M SOY	104.09 106.50 108.40 110.40 112.00	-0.25 -0.10 -0.25 +1.90	106,50 - - 5,0006e	106.25 - - - min; cen	34 - - 34 3/60% b	129 849 205 51 15 1,246
File BAR Sep Play Jan Har Har Total M SOY	104.00 106.50 108.40 110.40 112.00 ABEAN 812.00	-0.25 -0.10 -0.25 +1.00 S CBT (5	108,50 - - 5,0008e 813,00	106.25   min; cent	34 - 34 5/60% b	729 849 205 51 15 1,209 mhs)
FIERRED Sup Flow Jan Har Hary Total MI SOY, Jal Ang	104.00 108.50 108.40 110.40 112.00 ABEAN 812.00 804.50	-0.25 -0.10 -0.25 +1.00 S CBT (5	106,50 - - 5,0008# 813,00 821,00	109.25  min; cent 802.00 796.00	34 - - 34 1,036 12,548	729 849 205 51 15 1,209 mhs) 1,801 34,775
FIE BAR Sup Hor Jan Har Total HI SOY Jal Jan Sup	104.00 108.50 108.40 110.40 112.00 ABEAN 812.00 804.50 790.00	-0.25 -0.10 -0.25 +1.90 S CBT (5 -11 -16 -17	106,50 - 5,000by 813,00 821,00 807,00	108.25 - - - - - - - - - - - - - - - - - - -	34 	129 849 205 51 15 1,249 shift) 1,601 34,775 12,305
FIERRED Sup Flow Jan Har Hary Total MI SOY, Jal Ang	104.00 108.50 108.40 110.40 112.00 ABEAN 812.00 804.50	-0.25 -0.10 -0.25 +1.90 S CBT (5 -11 -16 -17	106,50 - 5,000by 813,00 821,00 807,00	109.25  min; cent 802.00 796.00	34 	129 849 205 51 15 1,249 shift) 1,601 34,775 12,305
FIE BAR Sup Hor Jan Har Total HI SOY Jal Jan Sup	104.00 108.50 108.40 110.40 112.00 ABEAN 812.00 804.50 790.00	-0.25 -0.10 -0.25 +1.90 S CBT (2 -71 -16 -17 -15.5	106,50 - - 5,0006# 813,00 821,00 807,00 795,50	108.25 - - - - - - - - - - - - - - - - - - -	34 - 34 - 34 1,036 12,549 3,572 58,974 1	129 849 205 51 15 1,200 sahel) 1,601 34,775 12,305 16,644
A EAR Sup Nor Jan Jan Jan Jan Total May Total May Jan Jan Jan Jan Jan Jan Jan Jan Jan Jan	104.00 108.50 108.40 110.40 112.00 ABEAN 812.00 804.50 778.00 785.50	-0.25 -0.10 -0.25 +1.90 S CBT ( -11 -16 -17 -15.5 -14	106,50 - - 5,0006# 813,00 821,00 807,00 795,50		34 - 34 - 34 1,036 12,549 3,572 58,974 1	129 849 205 51 15 1,200 sahel) 1,601 34,775 12,305 16,644
A BAR Sep Flor Jan Har Hary Total M SCY, Jan Sep Jan	104.00 108.50 108.40 110.40 112.00 ABEAN 812.00 804.50 778.00 785.50	-0.25 -0.10 -0.25 +1.90 S CBT ( -11 -16 -17 -15.5 -14	5,0008e 813,00 821,00 807,00 795,50 800,00		34 - 34 3560b b 1,036 12,548 3,572 58,974 1	129 849 205 51 15 1,249 8566 1,801 34,775 12,305 16,644 B,896 6,056
A EAR Sup Nov Jan Jan Jan Jan Jan Jan Jan Jan Jan Jan	104.00 106.50 108.40 110.40 112.00 ABEAN 812.00 804.50 778.00 778.50 789.50	-0.25 -0.10 -0.25 +1.90 S CBT (2 -11 -15 -17 -15.5 -14 -13.75	108,50 - 5,0008# 813,00 821,00 795,50 807,00 792,00		34 	129 849 205 51 15 1,249 8568 1,801 34,775 12,305 16,644 6,056 94,221
A BEAR Sup Nov Jan Har Har Har Total H SOY Jan Har Hor Total Har Total Har Total Har	104.00 108.50 108.40 110.40 112.00 ABEAN 812.00 804.50 790.00 785.50 789.50 ABEAN	-0.25 -0.10 -0.25 +1.90 S CBT & -11 -16 -17 -15.5 -14 -13.75	108,50  5,0008s 813,00 821,00 807,00 795,50 800,00 792,00	108.25 	34 	129 849 205 51 15 1,200 sshell 1,801 34,775 12,305 12,305 6,056 94,223
EL BAR Sup Hor Jan Har Hary Total Sup Jan Har Total En SCY Sul Jan	104.00 108.50 108.40 110.40 112.00 ABEAN 812.00 804.50 790.00 785.50 789.50 ABEAN	-0.25 -0.10 -0.25 +1.00 S CBT 6 -11 -18 -17 -15.5 -14 -13.75 CBL CI	5,0008± 813,00 821,00 807,60 795,60 795,60 795,60 795,60	108.25 	34 	129 849 205 51 15 1,249 8566 1,801 34,775 12,305 16,644 B,896 6,056 94,221
A Sup Flor Jan Har Har Total Mar Total A Sup Jan Har Total A Suy Jan Har Total	104.00 106.50 108.40 110.40 112.00 ABEAN 812.00 780.00 778.00 778.50 789.50 ABEAN 25.60 25.84	-0.25 -0.10 -0.25 +1.00 S CBT (: -11 -18 -17 -15 -17 -14 -13.75 CBL C: -0.37 -0.43	5,0000se 813,00 821,00 821,00 807,00 795,00 795,00 792,00 87 (80,0	108.25 	34 	129 849 205 51 15 1,209 8568 1,601 34,775 12,305 12,305 6,056 94,223 1,009 18,325
fill BARR Sep Rev Jen Her	104.00 106.50 108.40 110.40 112.00 ABEAN 812.00 785.50 778.00 778.95 25.60 25.84 25.89	-0.25 -0.10 -0.25 +1.00 S DST 6 -11 -15.5 -14 -13.75 COL. CO	5,0008e 50,000 57 (50,00 5		34 	129 849 205 51 15 1,249 85h8) 1,801 34,775 12,305 16,644 8,896 6,056 94,221 ) 1,009 18,325 14,730
AMERICAN Sep Rev Jan Hary Total May Sep Jan Har Total May Sep Jan Amg Amg Amg Amg Amg Oct	104.00 106.50 108.40 110.40 110.40 112.00 ABEAN 812.00 790.00 778.50 789.50 25.60 25.64 25.60 25.64	-0.25 -0.10 -0.25 +1.00 S DST 6 -11 -15.5 -14 -13.75 -0.47 -0.47 -0.41	5,0008# 813,00 821,00 897,00 795,50 800,00 792,00 87 (80,0 25,70 25,70 25,95 26,05 26,05		34 	729 849 205 51,246 sshel) 1,801 1,805 12,305 16,644 8,856 6,056 94,223 1,009 18,325 14,730 14,735
BI BAR Sup Roy Jun Har Har Total BI SOY Jun Har Total BI SOY Jun Mar Total BI SOY Jun Jun Mar Total BI SOY Jun Jun Jun Jun Jun Jun Jun Jun Jun Jun	104.00 106.50 108.40 110.40 112.00 ABEAN 812.00 780.00 778.50 785.50 25.64 25.69 25.64 25.69 26.49	-0.25 -0.10 -0.25 +1.90 S DST (5 -17 -15, -17 -13, -17 -0.43 -0.43 -0.41 -0.43	5,0000se 813,00 821,00 807,00 795,50 800,00 792,00 87 (80,0 25,70 25,95 26,20 26,75	109.25 	34 34 34 35/500 b 1,036 12,543 3,572 58,974 1 1,937 1,937 1,938 5,162 1,800 5,162 1,800 8,046	129 849 205 51 15 1,249 85h8) 1,801 34,775 12,305 16,644 8,896 6,056 94,221 ) 1,009 18,325 14,730
III BAR Sup Nov Jan Har Har Total III SOY Jan Nor Total III SOY Jan Sup Sup Jan Sup Jan Sup Jan Jan Jan Jan Jan Jan Jan Jan Jan Jan	104.00 106.50 108.40 110.40 110.40 112.00 ABEAN 812.00 790.00 778.50 789.50 25.60 25.64 25.60 25.64	-0.25 -0.10 -0.25 +1.00 S DST 6 -11 -15.5 -14 -13.75 -0.47 -0.47 -0.41	5,0000se 813,00 821,00 807,00 795,50 800,00 792,00 87 (80,0 25,70 25,95 26,20 26,75	109.25 	34 	729 849 205 1,269 shell 1,801 1,801 1,801 12,305 16,644 1,805 84,223 1,009 1,009 1,009 1,009 1,009 6,462 28,982
BI BAR Sup Roy Jun Har Har Total BI SOY Jun Har Total BI SOY Jun Mar Total BI SOY Jun Jun Mar Total BI SOY Jun Jun Jun Jun Jun Jun Jun Jun Jun Jun	104.00 106.50 108.40 110.40 112.00 ABEAN 812.00 780.00 778.50 785.50 25.64 25.69 25.64 25.69 26.49	-0.25 -0.10 -0.25 +1.90 S DST (5 -17 -15, -17 -13, -17 -0.43 -0.43 -0.41 -0.43	5,0000se 813,00 821,00 807,00 795,50 800,00 792,00 87 (80,0 25,70 25,95 26,20 26,75	109.25 	34 34 34 35/500 b 1,036 12,543 3,572 58,974 1 1,937 1,937 1,938 5,162 1,800 5,162 1,800 8,046	729 849 205 1,269 shell 1,801 1,801 1,801 12,305 16,644 1,805 84,223 1,009 1,009 1,009 1,009 1,009 6,462 28,982

8	32,326	64,673	Total					79,940	194,223
	13,511	41,224	M SOY	ABEAN	OBL CE	3T (BD,0	000bs:	сепіз/ї	b <del>)</del>
16 30		28,447 32,778	<u> </u>	25.60	-0.37	25.70	25.48	588	1,009
5		24,554	Alles	25.64	-0.43	25.95	25.55	5.162	18,325
		388,597	Sep	25.89	-0.4	26.05	25.77	1,800	14,730
	. ) 1901	and from	Oct	26.07	-0.41	28.20	25.96	842	
			Dec	26.49	-0.35	26,75	28.35	8.045	28.982
		Open	ھىل	26.60	-0.35	26.65	26.55	146	2,990
	Yel	100	Total					17,522	80,426
•	14,187	79,894	M SQY	ABEAN	MEAL	CBT (1	00 tons	; <b>S/1</b> 07	)
4		25,285	24	252.5	-8.3	252.5	248.0	3,317	2.845
75	1,745	9,130	Ang	250.3	-3.7	255.0	246.0		22.684
7		15,116	See	247.9	-4	248.6			12.193
11		11,853	Det	244.5	-4.4			500	6.645
1	170	5,137	Dec	243.0	-4.2	244.2	240.0	10.636	27.269
	72	7	بحيل	243.5	-3.5	244,D	241.0		3,070
02	ls; cUS	(28s.)	Tetal					29,508	79,880
		Open	# POT	ATOES	LCE (E/	tome)			
,	Yor	int.	iler	85.0					·
10	13.278	31.191	N=	110.0	_	_	_	_	_
5		19.235	<b>AST</b>	139.8	+0.3	142.0	138.6	91	1.237
ž	2078		2iey	156 0	_	-	_	_	3
Ñ	1.005		Jose	162.5	-	-	-	-	-
0		21.D48	Total					91	7,300
5	1,235			IGHT (E	FFEX) I	LCE (\$1	Q/index	(point)	
	26,917	112,911	34	1105	-13	1112	1105	162	1,612
			AM	1106	-16	1115	1106	132	755
_			See	1137	-16	1736	1135	10	348
	Yol	Open ist	Osl.	1230	-9	1232	1225	26	1,464
-			Jgi	1244	2	1250	1350	5	262
Ð	5,871	22,533	<b>Jet</b>	1253	-2	1250	1255	15	142
â	2.381	9.409			-				

FUTURES DATA futures data supplied by CMS.

rinas irom harates Group; usa a torina ra-nian pistochica 28/30 raw (in shall) raturally opened (round); 1995 crop 3,300 CFR/FOT MEP, steedy; raw leynels at 5,200 FCA Ham-burg/UK US almondo (shelled); steady - 28/25 NPSSR AOL 5,975, shipment linst half Septem-ter E-725. NPSSR AOL 5,975, shipment first helf September, 5,775 shipment and September/October 5,775 shipment and September/October 4,5455 shipment September/October 3,545 shipment September 6,755 shipment September 6,755 california; new crop 5,000 September/October shipment Indian cashews raw: W-320, 5,950 spot Europe – down slightly; from origin at 5,900 CFR India for second helf of 1998. Turktish hazelnut kernela, 13/15 standard 1s, 1995 crop, 2,850 FOB MEP; FAO at 2,700 FOB MEP. Bazal rute, neotium, 1995 crop at 3,745 FCA Rottardem/ UK. Chinese pine kernela, super grade, 10,000 CP MEP.

SOFTS III COCOA LCE (2/tonne 984 49 300 896 820 42,675 998 1,814 42,715 1014 1,469 37,201 1026 258 20,463 1040 207 11,787 5,187 170,515 1332 1368 1396 1413 1348 1385 1410 1430 1366 3,727 18,645 1396 1,832 15,725 1419 108 6,668 - 88 5,978 5.198 ■ COCOA (ICCO) (SDFFs/torms III COFFEE I CE Strong -28 -23 -12 -7 -7 1530 175 1500 7,244 1539 1550 1479 1441 1401 1400 5,403 1410 527 1379 314 1372 66 13,827 28,357 118.65 +5.25 117.00 113.75 102 119 1196.90 +3.95 107.40 103.50 8,976 18,972 101.65 +3.60 102.20 98.50 3,348 8,915 98.80 +3.85 89.80 95.70 1,990 2,991 98.20 +5.05 98.50 97.15 156 591 96.75 +3.75 98.50 97.00 105 214 ■ COFFEE (ICO) (US cents/pound)

101.63 105.71 MINITE SUGAR LCE (\$/torne) 349.8 -2.0 351.0 347.1 1243 10,070 342.9 -2.9 346.8 342.3 798 3,801 389.0 -0.5 339.2 337.5 331 4,590 336.5 +0.4 336.9 334.7 25 2,317 335.3 +3.0 355.1 35.0 78 1,313 323.7 +4.1 322.0 322.0 10 881 2,421 22,862 11.79 +0.14 11.81 11.58 8,755 73,485 11.31 +0.06 11.37 11.20 3,471 39,856 11.01 +0.05 11.03 10.90 764 16,025 10.78 +0.06 10.81 10.67 301 11,617 11.20 3,471 39,356 10.90 764 16,025 10.67 301 11,617 10.48 416 5,361 10.42 7 539 COTTON NYCE (50,000lbs; cents/lbs) 72.45 -0.35 72.75 72.20 830 7.983 73.17 -0.46 73.51 73.00 3,122 33,982 74.50 -0.50 74.80 74.40 376 7,894 75.15 -0.45 75.20 75.70 207 4,050 76.23 CRANGE JUICE NYCE (15,000tbs; cents/lbs)

VOLUME DATA Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, contracts traded on COMEX, INTROC. NYCE, CME, CSCE and IPE Crude Off are one day in ameans. Volume & Open Interest totals INDICES ■ RELITERS (Base: 18/9/31=100) Jul 16 mooth ago 1985.7 2044.3

ILIVE HOGS CASE (40,000lbs; cents/lbs) 61,200 +0.95 61,250 59,950 58,250 +0.2 58,500 57,450 54,525 +0.15 54,675 53,950 75,500 -0.125 58,300 65,650 77,530 -0.15 75,900 75,500 +2 93.400 93.400 +2 90.300 89.050 -0.325 83.150 81.500 -0.6 82.600 81.700 -0.7 84.600 83.500 179 761 1,238 130 11 Jai Ang Feb Mar Strike price \$ tonne ■ COPPER Sep 155 99 59 Dec 173 125 89 8ep 52 95 154 Sep 140 179 220 E COCOA LCE Dec 75 63 52 CRUDE OIL FOR (per barrel) Brent Blend (dated) Brent Blend (Sep) W.T.L M OIL PRODUCTS NW \$161-182 Heavy Fuel Oil Naphthe Jet tuel Diesel \$88-90 \$168-190 \$206-206 \$183-184 MATURAL GAS (PA 13.20-13.36 Petroleum Arg (0171) 359 8792 800 12,118 270 3,353 168 4,078 36 526 - 200 112.70 -0.60 112.85 112.35 109.90 -0.50 110.25 109.80 109.80 -0.35 110.10 109.50 -0.30 111.75 111.50 -0.15 112.80 113.80 -0.15 115.40 115.40 509.50c

E CRB Futures (Base: 1967=100) Jol 16 247.91 Jul 15 250.83 247.81 250.83 ns GSCI Spot (Base: 1970=100) THE. Jul 15 month ago year ago 208.64 na na

MEAT AND LIVESTOCK ■ LIVE CATTLE CME (40,000/bs; certs/fbs) Self Day's Price change High Low Vol 67.900 -0.025 68.200 67.575 8.316 31,844 69.375 - 68.625 89.000 4.428 30,380 66.275 -0.1 66.500 68.675 2,823 14,205 64.550 -0.1 64.950 64.450 1,284 12.787 66.775 -0.375 67.330 68.700 238 4,382 65.725 -0.375 86.300 65.500 41 1,813 1,192 8,329 100 2,329 98 773 LONDON TRADED OPTIONS

104 155 218 LONDON SPOT MARKETS

-1.6 +0.075 Gold (per troy oz) \$ Silver (per troy oz) \$ Platinum (per troy oz.) Palladium (per troy oz.) -1.25 -10.5 \$392,00 \$182,25 Copper 95.0c 45.00*a* 15.25*a* 290.50 Lead (US prod.) Tin (Kuale Lumpur) Tin (New York) -0.04 89.27p 114.200 115.850 \$314.80

Lon. day sugar (raw) Lon. day sugar (wte) Barley (Eng. leed) Barley (Eng. leed) Malze (US NoS Yellow) Wheat (US Dark North) Rubber (Aug)♥ Rubber (Sep)♥ 90.000 90.00p 331.00m Rubber (KL RSS No1) Coconut Of (Phil)§ 780.00w +15.0 -6.0 Pelm Ot (Malay.)§ 80.19c 430p +0.05 Wookops (64s Super) 2 per lonne unless other - moviette, an Malaysia:

JOTTER PAD FT BOOKSHOP To order any book reviewed or referred to in the FT, or indeed any other book, call Freephone 0500 418 419, or +44 181 964 1254 outside the UK, for the FT Booksho Free peep in UK, £1.50 in Europe, £7.50 Rest of World. **CROSSWORD** No.9,123 Set by VIXEN

ACROSS An injury is much sooner than an insult, as Ches-6 Cold girl, but kind (5) 9 Sack the fellow in anger (5) 10 Stay, having lots of time, in Alaska (9) 8 Rush – stream plant (9)
11 The doctor increased 12's 18 The ability to make sufficient 12 The top man wants a large number (4)

14 There's great excitement 16 Coming to fish after all (9) about an American songbird 18 Get rid of pollution and get 19 Making a hole in state funds

(7) 20 Article found in church - a walking-stick, (4)

22 Puts back control and comes to a standstill (10)

25 The patient 28 is taken by this (9)

27 In spring dry weather may bring some warmth (5) 28 A person driven to proceed with "green" conversion (9) DOWN

1 Assembly discussing the Foreign Office over a drink (5)

2 Determined views of a judge
cut short in time (9)

3 Yet again spectacles are responsible for mistakes (10)

accompanying royalty (7)
5 19 across when coin is a problem (7)

6 The stupid guy should be left in bed (4) 7 A quarter are sensible (5) 8 Rush – stream plant (9) to live on (10) 14 Ditch a worker, getting acrimonious (9)

15 One of a dozen given a job by 19 The new car sent for moves at the French (7) a fair speed (7)
17 From Castile originally, so 21 Count may be as currency no longer (5) 23 Some people are disheartened

when cut (5) 24 The very best fruit (4) Solution 9,122

10-14 n = 1-1-1-1 1-1-1-1

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# Tain price NWARD INVESTMENT INTO THE UK

# Incoming capital tide increasing steadily

he world's three ligest economies now record year in succession, despite wour the UK as their rst-choice

estination for foreign xpansion. Michael **Lassell** explains why he potential remains normous

-he roll call is impressive. Siemens, ialla and many more world-class ompanies, are united in choosing the UK as a manufacturing base wer the past year.

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While not the masters of rootusa. rear, the UK's stock of inward lirect investments stood at more han £150hn, three times the level ecorded a decade earlier.

The world's three largest econonies now favour the UK as their arst choice destination for foreign investment. Around 40 per cent of all inward manufacturing investment into the European Union is - coming to the UK, which accounts for two-fifths of all US, Japanese and, most recently, South Korean investment. German manufacturers, too, are showing renewed enthusiasm for the UK as they discover overall labour costs running at less than half those at home.

Mr John Major, the British prime minister, hails his country as the "enterprise centre of Europe", a claim roundly dismissed by detractors who stress the continuing weaknesses in domestic productivity, innovation and investment and who ask why foreign companies have to lead the way.

Mr Michael Heseltine, Mr Major's deputy, says the volume of inward investment by hard-nosed compales who owe no favour to politicians speaks for itself. He points out that the UK has a higher ratio of inward direct investment to gross domestic product than any other

leading global economy. In the year to April 1995, the government recorded 477 new inward

directly creating nearly 50,000 jobs. The tally represented the third the competition to attract interna- new expansion programmes. tional investment capital. Sharing in the success, the government backed Commission for New Towns

The reasons investors choose the UK are well known. Among them are comparatively low labour rates sold nearly £10m worth of land and Premises to inward investors during

its last financial year.

After a lull in the volume of inward investment into Europe, activity has again been rising. Since 1989 the number of Japanese companies coming to Europe has been declining but last year this trend was reversed according to the Japanese External Trade Organisation

Nearly half the Japanese companies taking part in a Jetro survey named Britain as the most attractive European hase for manufacturing; once again, more Japanese companies came to Britain than to any other European country.

Not all inward projects have been entirely successful, with low profitability levels a continuing source of criticism among the Japanese. But with the accumulated value of Japanese industrial investment in the UK standing close to £20bn, there appears to be no going back.

In the eyes of the invest in Britain Bureau (IBB), charged with overall responsibility for promoting the UK to internationally mobile investors, the potential remains auomnone.

The organisation, which should have a nationwide site database operational by the antumn, claims a new national cohesion in the campaign to attract foreign investment. Even so, ministerial eyebrows have been raised by the intense and possibly counter-productive regional rivalry demonstrated during recent efforts to win the £1.7bn LG Electronics plant, which ultimately settled for Newport in south Wales. For its part, the IBB is now con-

centrating its overseas promotional efforts in North America, the Far East and elsewhere in Europe. Industrial sectors singled out for special attention by the IBB include the automotive electronic pharmaceutical, biotechnology, medical services and financial services sectors. It is also giving high priority to ensuring that foreign investors already established in the UK -

who now account for 60 per cent of all new foreign investment decisions - choose the country for any

critical given the high-tech, capitalintensive nature of many investments - and flexible employment conditions. An open door to the rest of the EU and the comfort newcomers find in knowing that others have already chosen the UK are among other important attractions.

The impact of foreign capital investment in UK-based manufacturing has been immediate. But it also offers the prospect of much longer-term benefits that can help reshape the UK's industrial base.

The government estimates that, since 1979, more than 800,000 jobs have been created or safeguarded by foreign investment. Around balf the output of overseas-owned manufacturers is exported; fewer than one-fifth of those sales would have been taken by UK companies in the absence of inward investors.

A report by PA Cambridge Economic Consultants calculates that the net effect of inward investors involves a positive contribution to UK trade of well over £700m a year.

The structural benefits for the UK's manufacturing base are harder to assess but no less important for the longer term. There is already evidence to demonstrate improved product quality and customer responsiveness among suppliers and increased product development among competitors.

The competitive pressures will only be enhanced further with decisions like those of Samsung, the south Korean electronics giant which is building a plant in the north east of England, to persuade six Korean suppliers to set up in the UK to serve its new operation.

The ultimate beneficiaries should be customers of inward investors who can expect better quality goods and services and lower prices to help their own profitability and productivity - and end-consumers. Ministers insist it is not a case of

rnationally investing compa-



nies, irrespective of origins, tend to be better performers than those confined to a domestic market.

But the picture may not be entirely rosy. Despite some recent improvements, it is hard to sustain claims that the country can offer across-the-board employment skills equal to those anywhere else. There foreign investors performing better is a worrying skills gap which than UK companies, more that all inward investors have been quick to

ment knows has to be closed if the UK is to become fully competitive.

Mr Jürgen Gehrels, chief executive of Siemens's UK subsidiary, said recently that while the UK has a pool of talented graduate engineers and scientists, the skills within the broader workforce, particularly in shop floor manufactur-

ing, needed to be improved. Failure to do so, he warned, could future investment in the UK by international companies. He said any belief that the way forward for Britain was as a "low-skill and therefore low-wage economy" was totally unfounded. A broader range of apprenticeship schemes was

essential, he claimed. UK ministers acknowledge there is room for improvement in skills training but claim the UK already

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Northern ireland: uncertainty clouds future South west: a doubly desirable destination

Production editor: Roy Terry

ket of any country in Europe, with more people in work and fewer people unemployed than almost any other leading EU country.

The government says it will not risk this position and has set itself against the implementation of EU laws - such as a national minimum wage and a standard 48-hour working week - which it believes will blunt the UK's competitive edge.

Labour is equally adamant that UK workers are entitled to the same employment rights and conditions as other European workers and says there is no evidence that inward investors would be deterred by such improvements.

Far from believing its employ ment and social policies will deter investors. Labour believes its pro-EU stance will encourage even more companies to choose to locate in a United Kingdom which wears its EU membership more comfort-

In reality, few inward investors have been seriously troubled about the present government's continu-ing difficulties in Europe or the rumbling uncertainties over a single currency; for the moment nothing seems likely to stop the incoming investment tide.

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### You're America's biggest TV shopping channel. And you want to expand in Europe. So where in the entire continent do you site your call centre? Paris? Dublin? Amsterdam?

Right now, QVC's call centre operation is being built in Knowsley, Merseyside. For sound reasons,

The region's telecommunications technology is already well known. Amongst the best and most extensive in the world, highly competitive with four com providers in the region.

"We like the warmth and opermess of everyone, and the 'can-do' attitude."

Even less hush-hush of course, is a Mersey talent for talking. A talent that's been brillantly employed in the pools, insurance and home shopping es for generations. On Merseyelde, doing business on the phone is in the blood.

But, QVC also chose Merseyside for less obvious advantages.

They found out about lower opsite availability. About some of the most attractive financial incentives, recruitment and training package in Europe. About the regular forum of existing Messeyside call centres who pool their knowledge and share that information with new investors. But above all, they found out about the attitude of the

people who work here. Morseyside friendliness and an ideal working environment will create a brilliant team here."

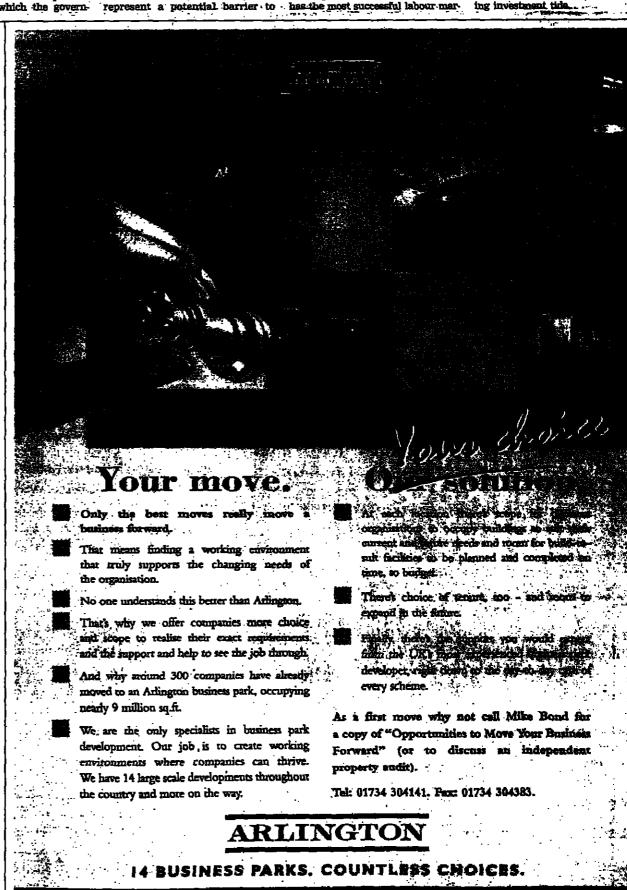
Look at some of the other cell centres who are already established on Merseyside-Barclays Direct Loan Services, NetWest and Swedish company Instrum Justitia. And in other sectors, Ford, General Motors, Kodak and Sony continue to succeed. So could Merseyaide really become the call centre

ceptal of Europe?

It's happening even as we speak



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■ UK advantages: by Michael Cassell

# pro-business, competitive environment ble with those elsewhere in

Having won the lion's share of EU inward investment. 'after sales' links in future will be vital

"Investors are flocking to our shores," says Mr lan Lang, trade and industry secretary. He is quick to claim that the government's much-proclaimed competitiveness agenda is increasingly responsible for the UK's inward tide of manufacturing investment.

Cynics might suggest that recent improvements in UK competitiveness have been driven as much by the efforts of foreign "incomers" - invariably more profitable and more inclined to invest than their British counterparts - as by any ministerial initiative.

But the government can legitimately claim that structural changes in the UK economy over the last 15 years have helped make it a more attractive location from which to do business; the scale of inward investment by some of the world's biggest and most successful companies offers impressive testament to the benefits of setting up in Britain.

The country has for decades attracted a significant number of foreign investors, with the United States proving itself one of the longest and most faithful backers. Even in the 1970s, when the country's reputation for industrial strife reduced it to the status of the "sick man of Europe" and inflation reached well into double digits, there were strong commercial arguments for investing in an offshore European manufacturing base which provided access to an expanding economic commu-

nity. But it is in the last decade in particular that inward investment into the UK has become an economic phenomenou; whatever the politicians may claim for their role in bringing it about, in truth they, too, have been surprised at the

scale of the inward migration. The use of English as the international language of business has always been a critical factor for which even the most brazen politician has been

unable to claim responsibility. But the government may be on firmer ground in taking some credit when it suggests the UK now offers a "pro-business" environment which can compete effectively with most other EU territories.

In the earlier stages of the rush to invest in the UK, relatively low labour costs proved one of the biggest attractions, along with market access. The trend led to accusations that Britain was converting itself into a "sweatshop" economy, where cheap labour would be

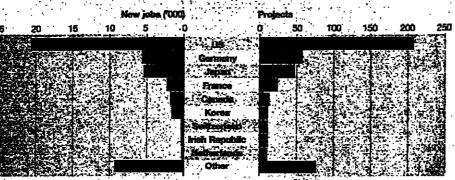
### The US has proved to be one of Britain's most faithful backers

employed for fundamental manufacturing and assembly work.

Employment costs in the UK remain comparatively low, reckoned to be on a par with those of South Korea; recent Treasury figures used to explain why the country is doing better than most others in Europe in creating new jobs show that for every £100 spent on wages in the UK, an employer has to add an extra £18 for non-wage costs. But in Germany the add-on costs are £32, in Spain £34 and in France

The figures go some way to explain the government's resolve to reject pressure on it to implement the EU social chapter, seen by ministers as an unnecessary burden likely to damage the UK's international competitiveness. Labour costs are not, how-

ever, as important a determinant in location decisions as they once were. Big inward investors like Slemens, the Where the investment is coming from



German electronics giant, is to build a £1.1bn semiconductor piant near Newcastle upon Tyne but with no more than 1.500 jobs involved the employment costs form a marginal element in such a highly capital intensive project.

The point is driven home in a new analysis of international investment. Consultants Arthur Andersen point out that it will be the development of industries in which salaries represent just 5-10 per cent of costs that provides the impetus for future corporate develop-

ment in Europe.
Increasingly more important than labour costs, in the eyes of potential investors, is what the UK government describes as the "flexibility" of Britain's workforce

Critics prefer to see it as

in which employee protection is limited and the need for jobs of any kind is paramount. Despite some improvements

mination to resist an expected

European Court of Justice rul-ing obliging the UK to agree to

a standard 48-hour working

A minimum wage is also

rejected by the present admin-

istration, although the Labour

party is committed to its intro-

duction even though it has not

publicly fixed a figure. The

party is equally determined to

maintain a strategy which ensures British workers are

entitled to the same employ-

ment rights and conditions as

Low corporate taxation is

regarded as another important

priority for inward manufac-

The UK's mainstream corpo-

ration tax at 33 per cent - Ger-

many's stands at 45 per cent

is the lowest of all main

industrialised countries while

overall taxation in the UK is below the EU average.

Another factor inevitably

figuring on any investment

checklist is the availability of

financial incentives; with one

recent potential investor reportedly offered the equiva-

lent of £37,000 per employee to

bring a plant to Wales, their

provision can clearly make a

But, as Britain's Invest in

Britain Bureau emphasises.

financial assistance is a

short-term incentive but

investment is a long-term com-

mitment." The UK accepts that

it has to try and offer a pack-

age of financial help compara-

those elsewhere in Europe.

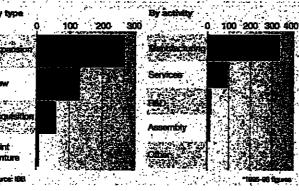
Britain's record in skills training is weak, although workers have repeatedly demonstrated their ability, given the opportunity by foreign paymas retrain and provide fully com-petitive levels of productivity. But significant reforms in

employment law which have made strikes rare and led to single and non-union agreements have helped transform the country's record on industrial disputes. Shiftwork. part-time and overtime working is commonplace, offering investors a production regime

to suit their needs.

Anxious to maintain what he ees as a vital competitive edge, Mr John Major, the Britinternational capital taking ish prime minister, has advantage of a labour market recently made clear his deterish prime minister, has

The favoured sectors and approaches



But ministers question the sense of allocating potentially huge sums to enable EU members and even regions within member states to compete for inward investment.

Britain reckons it has a few other aces up its sleeve. Ministers cite strategies for attracting a significant increase in design, research and development investment in the UK, a trend which is already well in evidence as foreign investors strike up collaboration projects with universities across the

Advanced transport and telecommunications systems, together with the predominance of the City of London in international financial markets, are also advanced as good reasons for taking the UK seriously as a manufacturing loca-

As for inward investors themselves, many have publicly proclaimed themselves impressed with the UK effort, at national and local level, put into attracting them to the UK. The country's success so far

in taking the lion's share of inward investment into the EU in itself offers an important bonus, granting potential investors the comfort of know-

lan Lang: "investors are flocking to our shores"

ing that many others have already opted for the UK. With competition for inward investment becoming tougher, the UK is placing a fresh and important emphasis

so-called "after sales", maintaining continuing links with new investors and positioning itself well if and when additional spending programmes

■ Japanese contribution: by Stefan Wagstyl

# Fertiliser for local industry

Foreign companies play an important role by introducing new management techniques

When the first large Japanese factories opened in the UK in the early 1970s, they were regarded with some suspicion. While local people enthusiastically snapped up the jobs on offer, others muttered dire warnings about foreign-owned

screwdriver plants undermin-

ing the British economy. Such voices are almost never heard today. It is a measure of the extent to which the benefits of inward investment have spread through the economy that even those who have never been inside a Japanesescale of the achievement.

As Mr John Bridge, chief executive of the Northern Development Company, the north's investment promotion agency, says: "Inward investors are a fertiliser for local industry."

It is becoming increasingly apparent that inward investors bring with them indirect advantages for the UK, in addition to the considerable direct gains. For the gains to the UK can be measured not only in the volume of investment, in the jobs created at foreignowned plants and their suppliers, and in exports, but also in the intangible benefits. The most important of these is the role foreign-owned companies play in introducing new management techniques and new technology. While investors from many countries contribute to this process, the most significant influence are Japanese manufacturing groups, particularly the Japanese car makers, Toyota Motor, Nissan Motor and Honda Motor.

The big wave of Japanese investment into the UK, which gathered pace in the early years of the administrations of Mrs (now Lady) Thatcher, coincided with a great upheaval in British industrial relations. With the government urging employers and trade unions alike to abandon traditional attitudes, there was an opportunity to promote new ideas, including ideas practised by

quality, factory management, and controlling suppliers.

Moreover, Japanese inward investment coincided with and contributed to a period of rapid globalisation of industry. Companies which had been used to treating home markets as their near-exclusive preserves found themselves competing with

rivals from the other side of the world. In key sectors, including motors, electronics, and machine tools, there was a quantum leap in the level of competition. Competition forced British companies. among others, to change or face extinction. In the quest for change. Japanese inward investors offered important examples of what could be

done. ity as a guiding principle is not uniquely Japanese. But in manufacturing, especially in mechanical and electrical engineering, Japanese companies have led the world in implementing techniques for achieving quality improvements. The starting point for these techniques is measurement - by measuring everything from raw materials coming into a factory to the finished goods leaving it, leading Japanese companies were able to identify how best to improve productivity and quality. Not every Japanese group succeeded: but those which grew large enough to invest over-

seas generally did. The pursuit of quality led Japanese companies to repeatedly review the organisation of factories and of supply chains They decided that the best way forward was in devolving responsibility to the shop floor and to supplier companies. Progress was not always easy Japan was racked by strikes in the immediate post-war years - but eventually relations between managers and workers settled into a pattern based upon co-operation.

When it came to investing in the UK, some Japanese companies were initially wary about transferring their manufacturing methods overseas. They were concerned that their techniques could only work in Japan, where co-operation is at the heart of national culture.



John Bridge: recognises benefits of fereign companies

-Claims that early Japanese plants in the UK were no more than simple assembly factories - screwdriver plants - were often correct. But as the Japanese owners grew more confident of operating in the UK, ish and the European authorities for localisation grew stronger, so Japanese plants developed ever stronger links. with the local economy.

As they did so, Japanese companies began to apply their management techniques. They found they were often pushing on an open door. There was very little that was uniquely Japanese about their ideas... British managers hired by Jap. anese companies were delighted to get an opportunity to try out ideas that they knew were sound but had been prevented from implementing by archaic labour relations. For. example, at Nissan, the first Japanese car maker to build an integrated car plant in the UK, top managers were recruited from the British car industry, including Rover Group, which was then still a by-word for

industrial inefficiency. At the factory level, the new ideas include better training, multi-skilling, devolving responsibility to units of 10 or 20 staff, and repeated demands for measuring and improving performance.

Across the company, there is a strong emphasis on involving as many disciplines as possible in the early stages of product. development. The principles are extended to managing suppliers by trying to develop long-term relationships and to involve them in product

Japanese companies, often makers of finished goods, made a priority of encouraging suppliers to modernise their production methods. These suppliers were then urged to pass the lessons on to their own suppliers. So the new ideas passed down the chain to second and third tier component makers, including small family-owned companies.

Competitors were forced to respond by making changes of their own, sometimes following Japanese methods, sometimes not, and occasionally introducing innovations which Japanese groups themselves had not considered

In these ways, whole indus-tries were modernised, notably motor cars and electronics. But the lessons also have spread to other industries. Local link have played a part. Sometimes employees of Japanese companies have left for other companies and taken the ideas with them. Sometimes college courses established with the support of a Japanese group have benefited other local busi-

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The development of Albert Dock is one of Merseyside Development Corporation's major projects on the Mersey Waterfront, which is now home to such successful organisations as Costco, Littlewoods, Royal Mail, Meyer UK, Cable North West and McIntyre & King. If you'd like the pleasure of joining them, make it your business to call MDC today.

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# for companies

The main issue for multinationals is who to put in charge of operations

For Keith Whitbread, events have not worked out according to plan. In 1991 Mr Whitbread, an experienced logistics manager, took over as head of the newly-formed UK division of New Wave Logistics, a large liquidese-owned distribution distribution company setting up in Europe.

To start with, Mr Whithread was given virtually a free hand by his company, which is part of the giant NYK shipping business. It seemed as through New Wave, which also has logistics operations in Belgium and Italy, was happy to let Whithread operate in his own style in the UK, using his own knowledge of the British distribution business and his good track record in a similar job at Federal Express, the US par-

His division appeared successful, building a new £15m warehouse in Milton Keynes complete with the latest computer controls for tracking goods entering Britain from companies such as Pioneer. Sanyo and Casio. The warehouse employs about 100 people and has a throughput of goods worth about £1bn a year.

Then a few months ago. apparently after an internal row with his Japanese bosses, Mr Whitbread was forced to leave New Wave and is now looking for another job.

The events at New Wave underscore the problems that can occur when multinationals setting up in the UK tackle the number one management issue who to put in charge. The choice often comes down to selecting someone who is ingrained in the inward-invest-( company's culture, but is unfamiliar with the UK, or plumping for an outsider who has run similar enterprises in the UK.

A range of other possible management headaches crop up for multinationals in establishing themselves in a country such as the UK - many of them to do with how to run the business according to a global set of objectives, yet at the same time have sufficient flexibility to react to local issues over such factors as pay and working conditions.

There is no evidence that Japanese companies in the IJK are any more or less susceptible to difficulties of this kind than those of any other nation. However, the wave of investments in the UK in the past 10 years by subsidiaries of big companies have inevitably led to a number of experiences of discord between managers at the subsidiaries

and head offices. Some of these problems can possibly be ascribed to cultural differences between the British and Japanese way of running businesses. In the case of Mr Whitbread, New Wave insists the departure was "amicable" and that he "left to pursue another direction to his career". However, an insider said Mr Whitbread fell out of favour with his superiors, "and he found that if you fall out with the Japanese then you're

Sumantra Ghoshal, a professor in strategic leadership at London Business School, cautions against "too much accent on cultural issues" when examining multinational management strategies. "The concepts here are fuzzy; what some people may put down to cultural problem of lousy management," said Mr Ghoshal.

But a detailed study last year by Keith Jones, then general manager of a British subsidiary of Nippondenso, Japan's biggest car components company, threw light on a host of management difficulties linked to cultural issues in the UK arms of Japanese companies.

A range of differences between the average Japanese and British manager - in areas such as attitudes to promotion, ways of communicating, and parcelling out of tasks to subordinates - can easily lead to conflicts, according to Mr Jones, who at the time was

working for Telford-based NDM Manufacturing, a company three quarters owned by Nippondenso and 25 per cent

by Magneti Marelli of Italy. In his thesis for a masters degree, Mr Jones, who has since left to work in Germany for Lear, a big US car seats manufacturer, also bemoaned the fact that not enough Japanese companies in the UK employed a UK executive in the top job.

Not all stories of multina-tionals switching managers around in the UK, sometimes with difficult consequences for the people concerned, involve Japanese hosinesses Earlier this year, Black & Decker, the big US consumer products and tool company, installed Bob Schwarz, an American, as head of manufacturing at its three main European plants, of which one is in Spennymoor, Durham.

The job, created after Black & Decker reviewed its global manufacturing operations, had not previously existed. Inevitably it led to a clash with Bob Bowlam, the company's highly regarded UK technology director, whose role had involved a large responsibility for produc tion strategy at Spennymoor. In the resulting changes, Mr Bowlam left the company.

UK divisions of Japanese companies often appear, to the outsider at least, extremely smooth. Mr Keith Tipping, a

'Cultural differences may often be simply lousy management'

British manager, has been in charge of the UK factory of Komatsu, the Japanese excavator company, since 1994 and is said by his company to enjoy considerable autonomy. Sony, which has had a UK manufacturing presence since 1973, has had several British managing bent being David Pearson.

But in another Nippondenso subsidiary in the UK - Shipleybased ND Marston, which makes automotive radiators and in which again Magneti Marelli has a 25 per cent stake - the nationality of the chief executive recently became an

Nippondenso (which in Octo ber is changing its name to Denso to reduce the accent on Japan and reflect its global ambitions), in February installed in the top job in Shipley Koichi Sato, an experienced executive from the company's Japanese operations.

He took over at ND, which from next month is to be called Denso Marston, after a twoyear stint by another Japanese. Mr Katsumi "Keith" Susuki. Mr Susuki had in 1994 replaced a British chief, Mr Elfed Lewis, who had been in charge for five years.

Nippondenso resisted the temptation to bring in a British top manager, even though this would probably have been welcomed by the workforce and reinforced its credentials as a UK-based company. Its reason was that it wanted a tough, tried and tested top man to restore the subsidiary's profitability. The radiator company has seen a strong growth in sales, which in 1994 reached some 250m, but since 1992 has made a loss.

Another leadership issue arose a few months ago for the UK subsidiary of Epson, the big Japanese printer company, when it replaced its UK chief executive, Mr Yorimasa Yuguchi, with Mr Masa-Aki Hamamoto, its European president, who will continue with that

Someone familiar with Epson said: "Mr Yuguchi had been paddling his own canoe. He was too independent and did things the British way. Epson didn't like it." Epson said it did not want to comment on the affair beyond a statement which said Mr Yuguchi's five-year spell in the UK had been "very successful" and that his achievements were "considerable".

**Fromotion:** by Michael Cassell

# Chief problem UK has finally got its act together

Attracting overseas manufacturers is a priority, but regional rivalries could interfere

Few people doubt the benefits to the regional and national economy of attracting inward investment, bringing with it new jobs, income, skills, technologies and practices.

But the UK's success in attracting foreign manufacturers has also become a source of controversy at local level. Though anxious to play their part in bringing new economic activity into their areas, some local authorities are questioning whether too much time and money is being spent on recruiting overseas companies and not enough on supporting and developing indigenous

A recent report from the independent policy commission set up by the Labour party to examine strategies for regional economic development emphasised that inward investment is not a panacea for economic regeneration in the regions. It pointed out that Leicester

TEC, for example, believed only 5 to 10 per cent of new jobs in its area would in future come from inward investment

businesses providing almost all the balance.

The report said the clear message was that promoting inward investment by overseas companies should be additional to, not a substitute for, promoting indigenous investment. It echoed fears that too much reliance on inward investment meant the UK regions would merely become branch plant" economies adding little to the UK macroeconomy and over which government and regional authori-

ties would have little influence

Another report published

and control.

earlier this year by accountants Ernst & Young called on local authorities to reappraise their inward investment efforts, which were often spread too thinly and ineffecpotential benefits of this type of investment it also pointed out that it was "often easier and less costly to retain an existing company than attract a first-time investor".

The need to strike a sensible balance is widely accepted and, in many cases, the reality is that resources for encouraging economic regeneration of any sort are extremely limited. But whatever the fears about local economies falling into the

with the expansion of existing hands of international paymasters, the effort to bring overseas manufacturers to the UK now attracts the highest political priority at national level.

After years during which the national campaign to market the country as a prime manufacturing base was acknowledged to be poorly resourced and hadly orchestrated, the UK. now seems to have got its act

A jigsaw of effective local partnership between a wide range of economic development organisations, led at national level by the invest in Britain Bureau, is almost complete and beginning to pay dividends, according to Mr Andrew Fraser, IBB chief exec-

Co-operation is promoted via the IBB - primarily charged with marketing the UK abroad the Weish Development Agency, the Industrial Development Board for Northern Ireland and, in England, through the regional development organisations. The IBB currently has an annual budget of £10.5m, accounted for by promotional activity and by funds for distribution in

The RDOs, which choreograph locally the efforts of TECs. universities, science

English Partnerships, each cover areas accounting for between 5 and 10 per cent of gross domestic product. "They countrywide effort; together all these bodies can achieve a cohesion which allows the regions to punch above their

weight," Mr Fraser adds. Some regions have unquestionably woken up earlier than others to the potential eco-nomic rewards of winning foreign investment. Organisations like the Northern Development Company, the regeneration body for north-east England and Cumbria, and Northern Ireland's Industrial Development Board have proved themselves extremely effective while some other regions have been slow to marshall

The east and south-east, inparticular, appear to have been less well organised in exploiting the potential of inward investment, although it is fair to stress that they were competing against regions which could offer the added advantage of grant aid.

As an early beneficiary of the original wave of inward manufacturing investment. parts of the south ignored the

parks, local authorities and other regions and have only

IJK. blocks on which we build a to suggest the entire national effort cannot be improved. Ernst & Young pointed out inits report that many local authorities were severely hampered by a lack of understanding of the inward investment market; it said some authorities were undertaking promotional activities which only had a limited impact

The report also found that most local authorities viewed their neighbouring regions as their principal competitors for inward investment, highlight ing a regional competitive which is understandable but not necessarily always helpful. The IBB recognises that there will always be rivalries

and tensions between the regions and the bodies charged with attracting new investment and it is anxious to ensure that these do not undermine the national effort. "The biggest problem is when cities or areas rush off to try and do their own thing," says Mr Fraser.

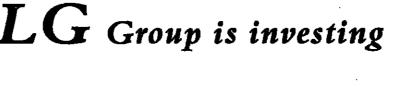
have to manage the process of regional rivalry very carefully potential competition from but we are evolving a system

Andrew Freser, regional rivalry must be managed carefully

in which national and local government are working more closely together, giving us a priceless advantage."

Mr Jonathan French, economic development officer for North Yorkshire, is not alone in suggesting that regional rivalry for new investment is a positive force, ensuring local organisations stay on their toes and making potential newcomers fully aware of all the opportunities available. But he believes there is still room for better co-ordination when it comes to promoting the UK

The IBB is in the process of strengthening its overseas marketing effort and is keen to see its national team win a higher profile both abroad and around the UK.



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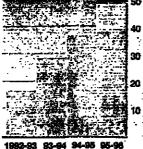


DEVELOPMENT

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New jobs ('000)

**E North east:** by Chris Tighe

# Partnership proves its worth

Inward investment into the north east during the past decade has created 39,580 jobs

Ten years ago today, {}the Northern Development Company was officially born.

The NDC's formation, after two years of bridge-building between competing interest groups and organisations, was of crucial importance in fostering the "partnership" philosophy which has since been so vital to north-east England's success in attracting inward

In the early 1980s, as the north east and Cumbria struggled with the decline of traditional heavy industries, many in the region wanted a gener ously funded development agency on Scottish lines - an aspiration which the renewed debate on devolution has again fanned.

But the NDC, while run on a modest budget, delivered something money alone could not buy - a consensus between the private sector, the trade unions and the local authorities that they would work together for the good of the region to win

Inevitably, there have sometimes been strains but the demonstrable success of the partnership approach in securing foreign direct investment has continued to focus participants' minds.

The north east, with |impor tant investments by Nissan. Fujitsu, Samsung and dozens of other Far East companies. now |claims to be the principal European centre for manufacturing investment from the Asia-Pacific area. While the northern region accounts for about 5 per cent of UK GDP. it has received over the last decade more than 10 per cent

coming into the UK. The NDC says inward investment into the area since 1985 has created 39,580 jobs - this figure includes forecasts of future jobs - and safeguarded another 25,059. Inward investment spending, including future commitments, totals £7.4bn.

The latest Regional Trends Survey showed that by 1993 the north east and Cumbria had the second highest level in the UK regions of gross value added per employee in manufacturing. At £30,474, it was bettered only by the south-

And new government figures on manufacturing productivity show the north east top of all UK regions in 1994 in value added per employee.

Inward investors contributed directly, through their own plants, and, indirectly, through their impact on the supply chain and their influence on indigenous companies.

Inward investment, says NDC chief executive Mr John Bridge, has revolutionised the north's industrial base. "It's not a bolt on," he says. "Ministers must understand it's a highly integrated part of the

The north east, which has

**Projects** 

of all foreign direct investment captured nearly all the last sites in the region which are decade's inward investment into the northern region, now faces a new challenge - large site availability. While it still has high quality greenfield sites, the availability of very large sites, with a high level of utility services readily on hand, is another matter. "We are running out of sites if you look at 200 acres and above."

our deluxe portfolio.

The less publicised business

of winning reinvestment by

those already in the region is a

key NDC area of activity. In 1995/96, of the 10,420 new and

safeguarded jobs NDC attri-

butes to inward investment

from overseas, 40 per cent

came from 42 expansion pro-

jects, with a capital spend of

Reinvestment's importance

was highlighted by Fujitsu's

decision to delay the planned

expansion of its County Dur-

ham semiconductor plant

because of the present down-turn in the global microchip

market. At £816m this expan-

sion is bigger than most new

ment underlined NDC chair-

man Sir George Russell's

maxim, "Our expansion is somebody else's inward invest-

ment". South Shields-based

printed circuit board maker

Interconnection Systems Ltd

(ISL), a homegrown high tech-

nology company, announced it

had chosen north Tyneside for

a new £120m, 1,000-job plant. Central Scotland and Spain

had also been contenders. To

see an indigenous success

story slip away would have

been mortifying for the north

The choice of north Tyneside

last year by Siemens for a

semiconductor plant, now

under construction, has, Mr

Bridge believes, given the

region, which already had

Fujitsu, a critical mass in semi-

conductors. Although this will

not create a Nissan-style clus-

ter of component plants, he

hopes it will stimulate some

specialist supplier investment

and provide more work, possi-

bly for indigenous companies.

in sophisticated maintenance

As Samsung has chosen

Teesside for its new European

Another recent announce

inward investment projects.

The NDC's most recent board meeting agreed that an action team be formed, comprising representatives from NDC, the government office for the north east, the government-backed regeneration body English Partnerships and each of the area's local authorities. to address this problem.

says Mr Bridge.

The team's purpose will be to identify several prime 200-acre sites - possibly straddling local authority boundaries - and ensure they have the utility infrastructure necessary to attract prestige inward investors. This objective will again test the partnership approach, since it needs co-operation from those who will not have one of the chosen sites on their patch.

"We have to really concen trate our minds," says Mr Bridge. "What we need to come out of this are two or three

Total jobs

338,435

303.382 96.61

416.283

677,406

548.85

147.052

1,006.17 3,018.12

7.174.873

4,934 3,641 3,382 5,787 4,323 4,897 5,497 5,500 11,904 8,606

62,610

electronics manufacturing complex, there are strong hopes this will also in time be its chosen site for European semiconductor manufacture.

However, with two semiconductor plants already and the prospect of a third, the region may find it more difficult to attract other microchip manufacturers; companies may not wish to locate near competitors, partly because of skills availability, and UK politicians will be keen to see prestigious inward investment widely distributed. Significantly, LG's big new semiconductor and ctronics project has gone to

Raising skills levels and ensuring availability of suitable recruits is a key challenge for the north east. For all its inward investment success, it still has Britain's highest regional unemployment rate. Educational aspirations remain lowest in those areas where employment is most needed.

As well as working to attract more inward investors mobile telephone manufacturers are a target - NDC is trying to ensure through its supply chain programme that indigenous companies capitalise on the spin-off business potential of inward investors.

In January 1995, it set a twoyear target of establishing 50 supply chain projects involving large companies, mostly inward investors, in the region. It has so far set up 58, which by March 1996 had brought indigenous companies contracts worth £35m.

CASE STUDY LG Electronics Northern

expansion Few projects better illustrate

the regional importance of reinvestment – and the wider considerations which influence it - than LG Electronics's new plant in Washington, Type and Wear.

A £28m development on a 15-acre greenfield, with the capacity to produce more han im microwaves and 700,000 televisions a year, it has superseded a much more modest operation in a former kitchen fittings factory on a South Shields industrial

In 1988, in the face of anti-dumping regulations, Korean-owned LG needed to start producing microwaves

in Europe. It bought the Washington site from the Commission for the New Towns, but leased the South Shields factory to start production quickly. Staffed by 60-70 people, it produced 100,000

nicrowaves a year. In 1994, as LG Electronics developed its globalisation policy, it reviewed its Suropean market strategy.

Despite owning the Washington land. development there was not automatic, says Mr Ray Couch, general manager, resources, LG's most senior and long-standing UK employee in the region.

We were in competition with other locations," Mr Couch says. These included Ireland, France and

Mr Couch says he likes to think the South Shields' plant's good performance

flexible approach tipped the halance. "It wasn't just the financial assistance. although that's an element." Support from NDC and

other economic development bodies in the area - all keen to encourage reinvestment by existing inward investors was also very beinful to the region's case.

Opened in May 1995, the plant now employs 525 people. It has some senior Korean managers but, says Mr Couch, LG is actively pursuing localisation of personnel as well as suppliers.

LG Electronics also has a fridge-making plant in Milan and a video cassette recorder factory in Worms, Germany, but Washington is its main European plant.

There was some regret in the north east when LG chose south Wales for its new electronics complex but Mr Couch is resolutely

There was insufficient land beside the Washington plant for the new project; LG did not want to locate very near Korean rival Samsung in Teesside and decided against a proposed Northumberland

Jo Chexal, the NDC's director of international marketing, says there was bound to be soure disappointment over this in view of the region's previous Korean successes. But as she points out; "You can't expect to have every Korean

Chris Tighe

■ London and the south east: by Michael Cassell

TOTAL

# op European location for business

Vision, investment and government support are needed to back the capital's role

London has developed over many decades into one of the international business community's favourite locations, with one in four of Europe's biggest 500 businesses by market capitalisation based in the capital.

Repeatedly voted the best European location for business. London accounts for 15 per cent of UK gross domestic product and boasts an impressive list of credentials helping to make it one of the world's biggest commercial, banking and financial centres.

The City of London is home to the world's largest centre for the trading of international securities. It leads the global

of New York and Tokyo, dominates the eurobond market and remains the world leader in marine and aviation insurance. So far so good. But there are those who believe that a dangerous complacency has developed, endangering London's international position and threatening to undermine one lars upon which the

UK economy is built. There is general recognition that efforts to promote the capital, without a city-wide authority for the last ten years, have been weak and poorly coordinated. A recent study commissioned by the government compared the capital's standing in four sectors - financial and business services, tourism. creative and cultural industries and "power and influence"-against those in New

York, Paris and Tokyo. Its verdict was that, in most

world city in 50 years' time. The study criticised the gov-

Overseas investment in the north of England

1985-95

New Jobs

3,696

2,857 3,351 4,433 2,853 2,302 2,981 2,128

6,113 5,674

38.257

Safe Jobs

1,236 784 31 1,364 1,470 2,595 2,516 3,372

5,791 2,932

24,353

exploit fully its position. in the City, where the promotion panel set up last year by

to make progress. for optimism with the emer-gence of a newly developing partnership between government and the private sector

of the class but that urgent work would be needed to ensure its position was maintained if it was to remain a

ernment for not taking London's potential seriously and concluded that "long-term The doubts have been echoed

the Treasury to promote the entire range of UK financial services overseas has repeatedly come under fire for failing But there are now grounds

intended to formulate and implement a co-ordinated strat-

Financial help is at hand in the shape of regional selective assistance, available as a result of the designation for the first time of three areas of the capital - Lee Valley, Park Royal and Thames Gateway. Between them, these areas offer a wide choice of development sites for vision and investment" would manufacturers and service

> An important element in the strategy for economic regeneration is the attraction of inward investors, a task which falls primarily to the London First Centre, a body with the status of a government regional development organisation and charged with securing overseas investment for all 33 London boroughs, including the City of London. Westminster and Docklands.

London First Centre is working alongside several other promotional organisations in the capital, notably London Pride Partnership, the body which brings together business organisations, local government, police and voluntary organisa-tions to consider economic action plans for greater London. Also active is the Joint London Advisory Panel, which brings London Pride Partnership and central government together under Mr John Gummer. environment secretary and minister for London.

According to Mr John Cox, who has just stepped down as chief executive of London First Centre: "Although London was regarded worldwide as a leading city, there was evidence it was sitting back while other centres were promoting them-

selves actively to companies." "We cannot afford to underestimate the level of competition facing us from emerging cities such as Berlin, London will lose out if it does not compete and compete very effec-

an annual £3m budget jointly funded by local and national government and the private sector handles inquiries involving manufacturing and headquarters operations. It reports that many potential investors are venturing overseas to access niche markets but their investment is often

It appears that even large international businesses coming to London for the first time are cautious about the scale of their start-up, resulting in so-called "toe-dipping" - not committing large resources until the market is proven. The organisation believes

one key to success lies in giving special emphasis to well-defined sectors, such as healthcare and film production. Initiatives in these areas, under separately established organisations, are under way.

Mr Cox stresses that London should not be seen as competing with the regions for inward investors, rather that a stronger economy for the capital means a stronger national

His view is shared by Lord Sheppard, chairman of London First, the private sector body formed to help fill the strategic vacuum left after the abolition of the Greater London Council and which now shares a chief executive with London First

Lord Sheppard acknowledges the existence of "regional jeal-ousy" and says London should help build a partnership with other parts of the country. He cites the decision by Samsung - the South Korean electronics group with manufacturing plant in the north-east - to move its European headquarters to London as a welcome example of "dual investment" which will be of benefit to the



behind the latest efforts to pro-

mote London overseas, there

remain familiar complaints

-English Partnerships

He adds: "London has a responsibility to the rest of the country to be a leading world city. At the same time, the regions must both recognise and support London and resist the temptation to knock the capital. Remember, we are not competitors - the rivals for success are Paris. Brussels. Frankfurt and further afield."

about a scale of resources which compares badly with those available to some of the UK capital's other competitors. There is also criticism that responsibility for selling Lon-

don and helping its economic regeneration is still split Despite the new sense of between too many organisaurgency and co-operation tions. Calls for a directly

This summer ...

elected authority for the capital have been growing and London First itself has agreed in principle to back the concept of a "governor" for London with powers similar to those recently proposed by the

Labour party.
A draft policy paper highlights the lack of "a strong and effective" voice to champion London and make its case with government and abroad.



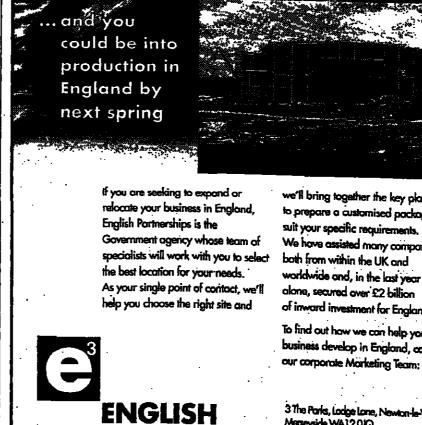
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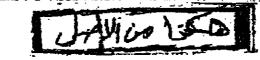
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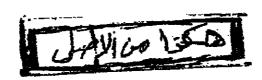
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FINANCIAL TIMES THURSDAY JULY 18 1996

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### **E North west:** by Ian Hamilton Fazey

EU special funds for Merseyside will bring three large sites into use over the next few years

North-west England has been selling itself increasingly well to the world in the past 10 years, in spite of not always being successful when competing for investors and jobs. inward, the agency for the Britain Bureau, has the data to prove it

inward claimed three successes during its foundation year of 1985-86, then took nearly four years to pass a cumulative total of 50. But it achieved its century within the following two years and had more than doubled this three years later. The year just ended saw 31 new projects to bring the 11-year total to 243.

With only half a dozen north-west projects creating more than 300 jobs initially. they have not had the sort of publicity associated with the arrival of Nissan, Fujitsu, Samsung and Siemens in north-east England during the same 11-year period.

The north west has not won big projects mainly because it is short of the large sites of 200 acres or more needed for them. However, the cumulative effect of the 243 suggests the region most successful in attracting inward investment. They brought with them direct capi tal spending worth nearly £584m and have directly created more than 16,384 jobs bringing at least a similar number in their wake through associated economic activity.

The year ended March 31 was particularly productive, with 31 new inward investments - or expansions by foreign companies already there. Direct capital investment was more than £117m, or 20 per

cent of the 11-year total, and the 4,244 direct jobs comprised nearly 26 per cent of those created by inward investors since

Why this success? The region's political and business leaders collectively believe it offers six attractive benefits other regions struggle to

Critical mass. Economically speaking, the region is the largest outside London and the south-east, including Scotland. accounting for more than 10 per cent of UK gross domestic product. It houses about 7m people - 2.5m of them in Greater Manchester and 1.3m on Merseyside - and has developed a complete range of financial and professional services for industry and commerce in the last eight years.

Infrastructure. The north west has the most complete network of interconnected motorways in the UK and more of them than anywhere else. Critically, the M6 and M62 - two of the UK's principal north-south and east-west routes - cross at Warrington, a few miles from the "drivingtime centre" of Britain, the Cheshire town of Knutsford, where 97 per cent of the population of England, Scotland and Wales is within a 200-mile

Manchester Airport, which

is five miles from Knutsford, and has more than 20m people living within two hours' drive. The airport has more than trebled in size since 1985 and handles around 15m passengers a year. This volume has enabled it to develop comprehensive scheduled services to the US, throughout Europe, and to the Middle East and Asian-Pacific markets.

Nearly all inward investors. particularly from the US, cite the airport as a principal reason for choosing north-west England.

■ Skilled labour. In spite of skill shortages common throughout the UK, the region still has a plentiful supply of trainable talent. There are four large universities in Greater Manchester, two on Merseyside and two in Lancashire, plus Manchester Business School - a postgraduate college.

A large expatriate community. There are about 1,400 foreign-owned companies in the north west, including about 500 from the US. Inward says this helps attract others from the countries concerned. There have been more than 70 new US investments since 1985, with 25 from Japan and more than 20 from Germany, with these three countries accounting for at least 7.500 new jobs. Grants. These are not crucial with most US executives,

	Projects	Jobs	Cepital Invest- ment (£m)
1985-86	3	106	12.75
1986-87	12	511	56.86
1987-88	14	726	17.25
1988-89	15	576	38.04
1989-90	13	1,013	22.01
1990-91	23	1,070	39.17
1991-92	30	1,207	37,41
1992-93	36	2,551	42.98
1993-94	36	2,893	106.85
1994-95	31	1,487	93.36
1995-96	31	4,244	117.25
TOTAL	243	16,384	583.72
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who see them as marginal compared with long-term market considerations, but they can be important for some Japanese inward investors faced with good offers to locate elsewhere in Europe. The north west's best grants are on Merseyside, which is in the middle of spending £690m from the EU over six years to bring its local economy up to average European levels of output and pro-ductivity.

All of this means north-west England has done well in attracting foreign investors in spite of Inward's not being supported financially by all local councils, as is its north-east counterpart, the Northern Development Company. Some councils run their own promotional programmes and support Inward, but some take the benefits of inward's central role without contributing.

These additional voices clamouring for attention include successful agencies such as the Wirral Investment Network. which acts for the attractive peninsula between the Mersey and the Dee, St Helens First, which is capably exploiting a new link road between the Merseyside town and the motorway network, and Lancashire Enterprises, the Prestonbased, privatised economic development arm of Lancashire county council.

Critical work has also been done by the governmenthacked development corporations for Trafford Park in Greater Manchester and for

The EU's special funds for Merseyside will bring three important large sites into use over the next few years - the old Liverpool Airport, abandoned when the airport moved to a better site and modern buildings in the 1980s, parts of the Cammell Laird shipyard in Birkenhead, and Parkside colliery in St Helens, which is on the M6 motorway and only two miles from the M62.



Wales: by Roland Adburgham

# oringboard into Europe

The new Severn bridge should lessen the perception that Wales is remote

If confirmation were needed of Wales's claim to be a springboard into Europe for international companies, that is provided by this month's decision by LG, the South Korean industrial group, to invest

£1.7bp there. LG's project is being hailed as Europe's biggest inward investment deal yet. Its electronics factory and semiconductor plant, to be sited together at Newport in southeast Wales, promise 6,100 jobs and at least as many among

supply and support companies. Wales, in securing the project after tough competition with other regions, can state that LG's reasons for choosing the Celtic country as its European base are a summary of its

First, LG could be offered a large, 250-acre site next to a motorway. This site is within a few miles of the second Severn bridge opened last month. The crossing, which links the west of England with south Wales, minimises the delays which traffic experienced on the congested first bridge, and lessens the perception that Wales is remote from London and conti-

Second, the Welsh could was evidence that the WDA,

at up to £200m - in the form of regional selective assistance, the free provision of the fullyserviced site, and training of employees. There will also be an "after care" programme and help with the sourcing of com-

In organising this support, an important factor is the so-called "Team Wales" approach, led by the Welsh Development Agency in confunction with the Welsh Office, local authorities, training and enterprise councils.

Another selling point for Wales is that wage costs are relatively low (although international companies pay above average) and labour relations are generally good. LG stressed that the Welsh workforce was "well known for their commitment and productivity".

Other advantages are not unique - such as the English language. But foreign direct investment in Wales (more than 350 overseas companies are based there) has helped to foster an international outlook. Wales increasingly sees itself as a region of Europe, as well as a region of the UK (even if public opinion is divided over the merits of the Labour par-

ty's plans for devolution). Despite the merits of the Welsh "offer" to overseas companies, in recent years its share of foreign direct investment slipped. But even before back on track. There have been significant

recent projects. Halla, the first Korean company to come to Wales, is setting up a £17m plant to make earth-moving equipment. A Japanese-German joint venture, Ocean Technical Glass, is in progress at Cardiff Bay. Newport Wafer-Fab, the subsidiary of Hong Kong-based QPL, is building a second semiconductor plant. Mr James Turner, managing

director of the WDA's international division, points out that, although the global market for inward investment has returned to a growth phase, the market place has changed. Developing countries are taking a greater share and, at the same time, there has been an "explosion" in the number of development agencies across the European continent.

"The international investor is faced with a huge amount of choice - it is a buver's market." he says. "The market has become more competitive and more complex. To respond to that, one raises one's game plan and becomes even more professional, and that is certainly something we've done at the WDA.

That plan, he suggests, hinges upon "the ability to demonstrate to businesses that we can provide a solution to their needs, and to focus very specifically on particular com-

sons to come to Wales, but to take their needs and present them with a solution - albeit a Weish solution. What distinguishes the men from the boys is the whole question of daliverability - it is a case of translating promises into concrete

\* T

The WDA attaches growing importance to "after care".
"One mustn't assume that just because a company has come to Wales it is there for life - it is important to look after it." Mr Turner says. "The best advantage we have in attracting new business is the ability. to demonstrate that existing investors are succeeding here and growing."

Sectors in which Wales is successful include automotive components, electronics, food processing and aerospace. But there is a recognition that an up-skilled labour force is needed if Wales is to lure more technology-based and research operations.

Other regions, particularly after the LG announcemen criticise the amount of government aid which Wales can offer. Mr Turner acknowledges: "The ability to put together a structured financial package is a vital and integral part of the total package. But finance is only one element in the decision a company will make, A company seeking to maximise tax breaks or subsidies is not the type of business that is "We do not set out to present likely to be happy in Wales."

# Geography the crucial factor The latest US company to Mr Michael Yomazzo, the chief respectively last year from

invade north-west England did so because of geography. The site for its new factory is 20 port and within two miles of the nearest motorway. For Photronics, these were crucial considerations. The company is the leading

US manufacturer of photomasks, a crucial element in making semiconductor chips. They are high-precision quartz plates containing microscopic images of electronic circuits and are used to etch circuit patterns into semiconductor

Why geography was crucial to Photronics is explained by its of \$125.8m and \$18.6m

executive: "The semiconductor business is a global one where our customers use just-in-time tomasks at 24 hours' notice," he says. "The European market grew by 45 per cent last vear. We could not service it

satisfactorily from the US." There was strong competition throughout the EU for the project, with the New York office of the Invest in Britain Bureau handling the UK's initial contacts. The investment is part of Photronics's aim to break out of a domestic market which - although it

plants in California, Colorado. Connecticut and Texas - was too confined to allow it to take Du Pont, as effectively as it The result will be a £47m

development in Trafford Park. Greater Manchester, which Photronics will make its base for expansion in European arkets in a bid to improve on the 10 per cent world market share which already makes it the world's largest photomasks manufacturer. "With this, a purchase in

Switzerland, and new plants in Singapore and South Korea, we are going global," says Mr Constantine "Deno" Macricostas, the company's chairman. "We chose Trafford Park because of its excellent strateairport and on the UK national motorway network."

As part of the deal, Photronics has bought the photomask-ing business of GEC-Plessey. The 34,000 sq ft Trafford Park factory will create about 270 jobs, with another 33 transferring from GEC-Plessey's plant at Oldham. The £47m included the purchase figure, which has not been disclose

Attracting the business to the UK was thought important enough for it to be given grants from the government, Manchester Training and **Enterprise Council and Traf**ford Park Development Corporation totalling £3m. Moreover, the corporation razed 20 small industrial units – built less than 10 years ago ~ to create a pleasant, two-acre waterside site for the new factory in

Manchester's docklands. Many will see this high-tech, high-profile development, therefore, as symbolic of the regeneration of Trafford Park, Europe's first industrial

Ian Hamilton Fazey

CASE STUDY Traited UK

# Expanding opportunities

One Japanese company in Wales began expanding almost the moment it arrived. In January, it announced a 25m project expected to create 45 jobs. Last month, it announced it was increasing its investment to £7.3m and would need a larger factory and more employees

The company, Traitec UK, is a subsidiary of Shimizu Industry and is the first up in mid Wales. It makes plastic products, principally for the automotive industry, with one of its main customers being Nippon Denso's components plant at Telford, Shropshire.

At the start of the year, Traltec made a temporary move into a 13,000 sq ft factory at Newtown, Powys while plans were drawn up for a permanent, purpose-built factory. Traitec had intended to have a 25,000 sq ft plant but decided to accelerate its expansion programme. Work has now started on a 51,000 sq

ft factory which is being built for Traitec by the

Development Board for Rural The park, Buttington Cross at Welshpool, has already attracted two other foreign-owned manufacturers. Wipsk UK of Finland, which makes packaging film for the

fresh food industry, and MVO of Italy, which makes plastic components for computer printers and photocoplers "We are very pleased with

the way Traitec has begun its operations in rural Wales," said Mr Tadashi Shimizu, esident of Shimizu Industry He had also been pleased with the speed at which its project had been handled. "It is quite remarkable that the DBRW has found us premises, come up with plans for a new factory and a grant has been processed in just 10 weeks from our initial inquiry," he said at the time. Mr Grenville Jackson, DBRW director east, says:

contact with us, they will be in production in the new plant. We are increasingly finding that, in terms of competing for projects, speed gives us a very strong competitive advantage. If we can put projects together quickly, we can win them. Other things have to be taken into account, but once a company has taken a decision, it wants to move very quickly." Mid Wales, he says, has the advantage of offering rapid links to both Manchester and Birmingham

"Within 12 months of the first

**Roland Adburgham** 



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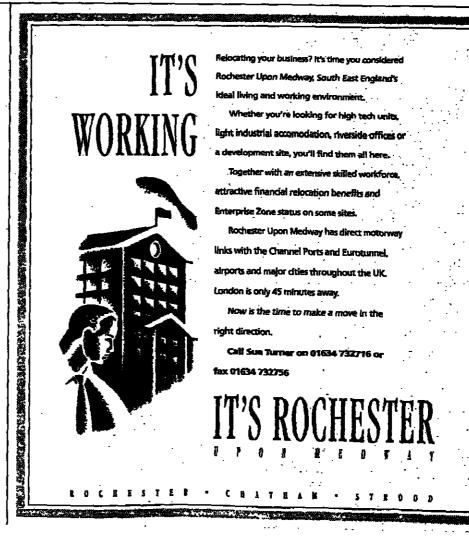
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# 'aiwan closes an important gap

Locate in Scotland claims that 1995-96 was another record vear for inward investment

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Last year it was Scotland's turn to achieve an inward investment spectacular. A few months after Siemens, the German electronics company, had announced plans to set up a semiconductor plant near Newcastle, the Chung Hwa Picture Tube company of Taiwan and the Scottish Office made their

own joint announcement. Chung Hwa would set up a plant making cathode ray tubes for televisions and computers at Mossend in Lanarkshire, involving capital expen-diture of £260m. The project is expected to create 3,300 jobs over the next four to five

What made the Chung Hwa investment particularly satisfying for Scotland was that the number of jobs involved was roughly the same as those lost in the closure between 1990 and 1992 of British Steel's Ravenscraig steel complex. also in Lanarkshire, Furthermore, the project will fill an important gap in the product line of component suppliers in

Silicon Glen, the Scottish elec-tronics industry. Scotland continues to receive

a steady stream of inward investment. Locate in Scotland, the inward investment agency which is a joint operation of Scottish Enterprise and the Scottish Office, recently claimed that 1995-96 had been another record year. It achieved its highest ever figure for the number of planned jobs that would be created or safeguarded by investment from outside Scotland, a total of

12.500The number of planned inward investment projects in the financial year fell, however, from the 1994-95 figure of 97 to 84, and the total planned investment was slightly down at £981m compared with £1.12bn in the previous year.

The figures are only a rough guide because they are compiled by adding up the planned investment and employment totals stated by the investing companies. The Scottish Office regularly warns that a few nrojects may not go ahead and others may be scaled down. Among the larger invest-ments which Scotland secured last year was a £26m project by Lexmark to make computer

printers at Rosyth in Fife, bringing an eventual 500 jobs

the Rosyth naval base.

But there were also a number of smaller arrivals by US electronics component makers, while established Japanese companies such as Shin-Etsu Handotsi, which makes silicon wafers, and Seiko Instruments making tiny printed circuit boards for watches, expanded

Scotland continues to receive a steady stream of

their plants. Although electronics accounted for three quarters of all new inward investment in Scotland in 1995-96 - a figure roughly in line with previous years - there were also invest-ment decisions by companies

investment

engineering and food and drink, some of it from UK com-The process continues: in May Mr Michael Forsyth, Scottish secretary, announced in Seoul that the South Korean company Shin Ho Tech would

set up a plant in Glenrothes to

in sectors such as chemicals,

to an area hit by the closure of make computer monitors. Mr George Kynoch, the Scottish industry minister, attributes Scotland's inward investment success partly to the professionalism of Locate in

Scotland which provides a one-Stop stop for companies interested in coming to Scotland. Like the Welsh Development Agency in Wales, LIS has an advantage over parts of England which are less able to co-ordinate the operations of local government and local development bodies.

However, there have recently been suggestions that the Treasury is unhappy that these two well-established agencies may waste money by attempting to outbid each other with aid packages and other benefits to attract companies.

The supposed threat to Locate in Scotland produced a predictable closing of ranks, with Sir Donald Mackay, chair man of Scottish Enterprise, saying that "the independence LIS will be stoutly defended".

The Invest in Britain Bureau, an offshoot of the Department of Trade and Industry, has made little secret of its wish to centralise the UK's initial approach to potential inward investors and leave the regional agencies to find

established investors. But the Scots believe it would be difficult for the IBB to match the professionalism of the main regional agencies

A more potent threat is posed by competition from Ireland which continues to gain incoming companies at the expense of Scotland. At the end of June. International Business Machines decided to expand its telephone-based customer service operation for

Of the 950 jobs this will create, some 700 will be in Ireland, with the remainder going to IBM's plant at Greenock in Renfrewshire.

Scottish Enterprise and the Scottish electronics industry have been conducting a long campaign to persuade the government to alter the rules governing regional selective assistance to make it attractive for companies to locate design and development operations in Scotland.

These operations would not initially create many jobs but would, it is argued, raise the quality of jobs in the industry and embed the plants of inward investors more firmly in Scotland. However, the government has so far said it does not propose making changes.

**PROFILE** 

George Kynoch

# Salesman for Scotland

The briefest flip through the latest report of Locate in Scotland leaves one in no doubt about the identity of the Scottish office industry minister: George Kynoch's face appears on 13 of its 32

pages. His photograph is almost always taken when inward investments to Scotland are gunounced. But in the case of Chung Hwa, the biggest inward investment Scotland has ever won in terms of jobs, Mr Kynoch was involved almost from the start.

being extabulted from the back benches to ministerial office, Mr Kynoch was asked at short notice to host a dinner in Edinburgh for senior executives of Tatung, the Taiwanese parent of Chong Hwa. "It meant getting myself slipped from a three-line whio at Westminster to fly up to Scotland," he recalls.

Having frequently visited

in early 1995, shortly after

Japan in his business career with the formerly family-owned textile company G & G Kynoch, he knew the importance of developing "good personal relationships with the people you are working with".

Though Scotland's inward investment effort is a partnership of the Scottish Office, Scottish Enterprise, local enterprise companies and local authorities, it was necessary in an important case such as Chung Hwa to show that "the government

was involved from the top". In late summer Mr Kynoch was paying one of the UK government's limited ministerial visits to Taipei. A imminent and he led the Scottish negotiating team. After a time he asked Mr C.Y. Lin, a member of the

family that owns Tatung, to take him round some of its factories while the negotiators hammered out



George Kynoch: a bit of marketing and a bit of diplomacy

details. When the two returned the Taiwanese said that they had chosen Scotland, subject to some conditions.

Looking back, he says: "I suppose you could call my role a bit of marketing, a bit of diplomacy and a bit of chairmanship. When you are up against strong rival assistance packages from other inward investment locations, to see the UK sold by a minister can be very important."

James Buxton

### CASE STUDY CASE STUDY

# Midlands beats off rivals

On the global scale of international investment, the £12.5m plant beginning construction near Wolverhampton is hardly large. But it is a mark of the intense competition surrounding inward investors that more than 25 sites across the UK and continental Europe were seriously considered before Mann & Hummel, the German car component manufacturer. settled on the Midlands.

The 11-acre air filter factory, which will create more than 150 johs in Hilton Cross near South Staffordshire, is Mann & Hymmel's first investment he UK. Hilton Cr beat more obvious competitors such as an expansion of the company's existing factories in Spain.

eastern Germany and the Czech Republic.

Hilton Cross also faced competition from several sites in the UK. South Yorkshire. the North Rast and the Rast Midlands were all strong contenders to attract the company, which is based near Stutigart and claims around half of Europe's market in car air filters. However, the West

Midlands' package of assisted area status, low labour costs and its large automotive industry, provided a strong overall argument to beat its rival sites. Mr Jurgen Gahriel. of Mann & Hummel, said: Une of t asons for choosing this site is the communications with our customers. We have a policy to be nearer to our

customers and to go where they are.

"But another important reason is the lower costs, particularly labour costs. In eastern Germany, for instance, we think the gap between labour costs there and in western Germany will shrink faster than the gap between the UK and Germany overall."

Leading the bid to attract Mann & Hummel, West Midlands Development Agency reassured the board about the region's industrial skills by arranging meetings with other German investors. It was in discussions with emu Instruments in Birmingham that Mann & Hummel became convinced that issues of

productivity and recruitment

would not cause problems for the new plant.

The overall package offered by the West Midlands includes training assistance from Wolverhampton Training and Enterprise Council. But it also takes advantage of the new Regional Supply Office, which will source components such as air filter casings and plastic injection mouldings from local suppliers.

By next spring, when the plant is due to begin production, Mann & Hummel hopes to have begun work on further plans for inward investment in the region.

Mr Gabriel said: "This is stage. It is possible that we will expand this factory."

Richard Wolffe

NatWest is locating a £5m

customer service centre in

Wavertree Technology Park,

Liverpool, with 400 jobs, pl

which 100 will be new. Intrum

Justitia, the European credit

services company, is also set-

ting up a call centre in Liver-

In manufacturing, newcom-

pool, creating 100 jobs.

### Midlands: by Richard Wolffe

# Big projects elude region

Behind the headline figures are concerns that the Midlands is falling behind its rivals

By its own admission the Midlands has been relatively slow to respond to the fierce competition over inward investment into the UK. In spite of its traditional strengths in manufacturing, as well as its ability to call on government and EU grants, the region is disappointed by its record of securing success with foreign investors.

At first glance the figures seem encouraging. The West Midlands attracted 76 investyear, creating a record 7,000 iobs and safeguarding another 4,400. It consistently wins around a fifth of all new direct investment in the UK, amounting to more than £4bn of investment over the last 10

But behind the headline figures are concerns that the region is falling behind its UK rivals. Of the 76 investment projects in the West Midlands, just 13 represented new companies and the average size of each project remains small at around 96 jobs each.

in the East Midlands the figures are more disappointing. In spite of having one of the largest manufacturing sectors of any region, the Rast Midlands attracts just 5 per cent of inward investment compared to its production of around 7 per cent of GDP.

In its recent studies of regional competitiveness, the Confederation of British Industry highlighted both regions' shortcomings in winning inward investment - particularly large projects. The CBI said both the East and West Midlands were struggling against a lack of support within their own regions.

Mr Chris Tillett, principal of Coopers and Lybrand in Bir-mingham and one of the authors of the CBI study of the West Midlands, said: "We truck maker, Lea Green Services, a packaging company, believe that large projects are important to the region to susand Philips Wilkinson, which tain the manufacturing base. It is our view that we are still failing to attract our fair share

of a lack of co-ordination between those leading bids."

Meanwhile, in the East Midlands, the CBI reported conflicts between local authorities, training and enterprise councils and the private sector. The CBI said that the first two years of the East Midlands Development Company (EMDC), established to attract inward investors, had been uncomfortable as there bad been confusion between different agencies.

The result has been a lack of resources in both halves of the Midlands to compete against other regions in the UK. West Midlands Development Agency (WMDA), for instance, has an annual budget of around £1.1m than equivalent organisations around the country. Its Regional Supply Office, which aims to source suppliers to inward investors within the locality, has a further £400,000. By contrast, the Regional Supply Office in the North West

has a budget of £1.4m on its OWD. Both Midland regions say they are restricted not just by limited funding from central government but also a squeeze on contributions from local authorities and the private sec-

Mr Paul Richards, chief executive of WMDA, said: "Our real problem is that even among the English regional develop ment agencies, we are quite small given the industrial strength of the region and the number of inward investors there are here."

The lack of cash leads to something of a vicious circle. The low level of funding causes inadequate co-ordination and marketing, which in turn means the region fails to mar-shal its funds towards attracting investors. Many in the private sector - particularly those

be convinced that winning inward investment can provide tangible benefits to their own trading, rather than merely giving foreign competitors a foothold in their own back-

The result is that inward investors miss the industrial logic of siting their projects in a region which is at the heart of UK manufacturing – as well as its transport network - and can offer the research and development resources of more than a dozen universities.

Larger investors are also missing the Midlands because of a simple lack of space. The region is still smarting over Siemens's decision to locate its £1.1bn semiconductor plant in mens was close to investing in the region, but the only site large enough to accommodate the plant suffered from vibration from a nearby railway line.

identified two greenfield sites which could provide the space for large inward investors while still qualifying for assisted area status. Philips, the Dutch electronics group, is considering a site to the north-east of Rirmingham and there are thought to be half a dozen similar projects looking to build factories in the UK's regions within the next two

Since then the region has

years. The attraction of a large investor is not simply the impact on employment, Such high-tech projects would be a welcome diversification for the Midlands away from its old metal-bashing image, and would act as a catalyst for high-tech investment by indigenous manufacturers.

But before the Midlands can win such high profile projects, it must first overcome the inevitable controversy of developing green belt land in what

in manufacturing - have yet to are often prosperous commuter areas. Political opposition is already mounting to Philips's proposed site, at Minworth and a second site north of Wol verhampton.

Instead, the West Midlands has had more success in attracting larger investors to its traditional area of strength - the automotive sector.

Jaguar is expected to create 1,300 jobs itself, and a further 5.000 among car parts suppliers after confirming earlier this year that it will build its new X200 saloon in Birmingham. While the £400m project was clinched by the governmentbacked aid package of £80m. the investment was also a reflection of the revived for tunes of car production in the

For the East Midlands, which is unable to rely on such a wide access to government grants, the challenge is even greater. Just one third of inward investments in the region have a grant attached to them, so the marketing drive must instead concentrate on the husiness case for locating

For example, the region points to UPS, the US logistics company, which decided to invest £1.7m in a telephone operations centre in Nottingham last year, creating 300

Mr John Finch, chief execu-

tive of EMDC said the region was currently identifying other key sectors ~ such as food processing - Which could lure investors to the region for its industrial strengths rather than the depth of its pockets. "Development organisations in the past have got a hit grantdependent," he said, "Instead of talking about sites and grants, we have to explain that the Midlands has superb business opportunities, in its location and its supply chain net-

work, for instance.

### ■ Merseyside's renalssance: by lan Hamilton Fazey

# Polish for a tarnished

Merseyside is at last beginning to make progress in restoring its

reputation Merseyside has started passing the acid test of confidence - inward investors are putting their money into a conurbation that until recently was such a no-go area it never even made the initial list drawn up by

those choosing to relocate. For much of this century. Merseyside has been blighted by structural decline in its manufacturing economy. To make matters worse world trading patterns changed and a in the final round. It was no

revolution in shipping and stevedoring technology wiped out thousands of jobs in and around the Port of Liverpool.

The Toxteth riots of 15 years ago gave the world a lasting. impression which was not good, and the Militant-controlled Labour Party's confrontation with the second Thatcher government during 1983-87 left Liverpool in debt to foreign banks, politically unstable, and seemingly ungovern-

After years of struggling to restore equilibrium, however, Liverpool last year made the short list for Siemens's new microchip plant, losing narrowly to Newcastle upon Tyne

Norfolk is a County of contrasts. A vibrant local economy

ilent road, rail and air links to markets in Europe and the est of the UK. Electrification of the County's make rall lines has strengthened Norfolic's links with Landon and Norwich Airport

rovides both scheduled domestic and international services via Schipol, Amsterdam, the world's fourth busiest Airport. A key part of Norfolk's transport infrastructure is its ports. Great Yarmouth with its exciting outer harbour plan offers the UK's shortest see route, to Northern Europe and the Baltic UK 5 MORTES AND TOURS TO PROTURE TO EXPOSE AND THE MARKE.

STACES, while King's Lynn handles chartered vessels from

Norfolk's workforce, noted for its fleefallity and excellent

industrial relations record, has historically serviced the

next of the Norwich Research Park, which houses

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aral, textile and food processing sectors. In recent years

this skills base has been expanded into new growth areas such as financial services, hi-tech manufacturing, the off-shore

industry, biotechnology and healthcare, ensuring Norfolk is well

placed for future development. Norwich, in particular, is set to

benefit enormously from the planned Technopolis project and

some of Europe's finest food research and genedics institutes.

ent and relocation. The City of Horwith, one

m, is adjacent to the Norfolk Broads and the

outstanding North Norfolk Coast.

virtually all European destinations.

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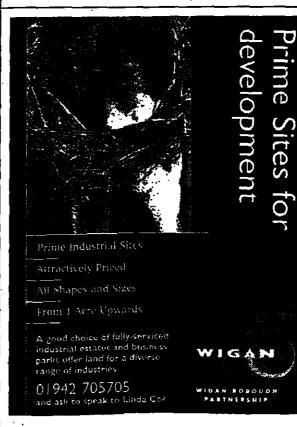
and distribution. Mr Neil Rami, marketing manager of the Mersey Partnership of public and private sector activists, says 120 inward investment projects have been recorded in the last 12 months.

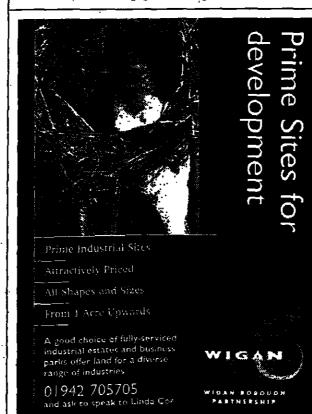
For example, QVC, Britain's television shopping channel is investing £14m in building a 125,000 sq ft fulfilment house and 50,000 sq ft call centre at Knowsley, Liverpool's neighbouring borough, It will create an initial 1,100 new jobs, with

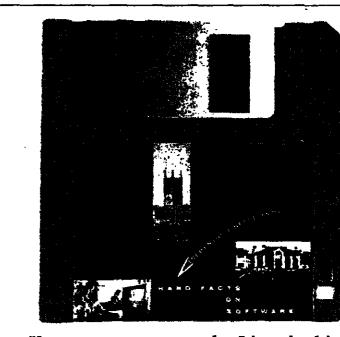
ers include Mackle Automotive Systems, which has opened a factory in the former Cammel Laird Shipyard at Birkenhead to provide just-in-time supplies

of head linings, carpets and bumpers to Vauxball's plant at Ellesmere Port. Mayer, the Hong Kong cookware ma turer, is also relocating its UK operations to Birkenhead, this time to Twelve Quays, a waterfront site near the town centre. Other incoming manufacturers include Raybestos, which makes brake linings, Williams & Jones, a Taiwanese fork-lift

> produces advanced computer-Continued on page 8







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Northern Ireland: by John Murray Brown

# Uncertainty clouds future

For 25 years, Northern Ireland has had a tough task competing with other locations

Violence has returned to hamper the efforts of Northern Ireland's Industrial Development Board just at a time when it seemed the authorities were winning the battle to lure foreign investment back to the province.

The region had its best year in attracting foreign direct investment in 1995-96, buoyed by a new level of international interest in the province following the announcement of the paramilitary ceasefires at the and of 1994.

However, the future looks far from certain with the resumption of the IRA's terror campaign and the recent unrest. although the impact has yet to show through in the behaviour of foreign companies.

Throughout the 25 years of the Troubles, Northern Ireland has had a tough task competing with the other UK locations and with the Irish Republic in the battle to attract new inward investment.

A survey in April by accountants Coopers & Lybrand showed that 84 per cent of companies locating in Northern Ireland had considered alternative locations. The survey suggests the main attraction was not the generous grants on offer but the availability of a pool of labour, and the high skills levels. Although investors complained of transport and energy costs, the survey said actual operating costs were "significantly less" than investors had expected.

Northern Ireland, with only 3 per cent of the population,

Return to: Andrew Fraser, Chief Executive,

attracted a creditable 9 per cent of the new jobs promoted in the UK in 1994-95, according to the Coopers survey.

The IDB is targeting hightechnology sectors, such as electronics and data processing. But the IDB chief executive, Bruce Robinson, says more traditional areas such as textiles and car components are also seen as offering growth potential.

The IDB provides generous grant support, up to 50 per cent of capital costs in some of the more economically-depressed areas. With unemployment running at around 11 per cent, there are few labour constraints. In addition, Northern Ireland, as part of the UK, offers investors the advantages of lower social costs because the UK has not signed up to the Social Chapter of the European Union

The UK's competitive wage structure makes it an attractive platform for companies looking to sell into the European Union. "It is our perception that Brussels treats European and Asian companies differently. We see a discrimination, and felt we needed a European presence to avoid that," says Mr Hoon Lee, chairman of Dae Ryung, a small Korean electronics company which announced a £17m investment to make television satellite receivers in Craiga-

High profile visits by both the prime minister, John Major, and the US president, Bill Clinton, have done much to raise the awareness of the province's potential. The president's support for the province's investment efforts helped allay US business concerns about the allegations of anti-Catholic bias in Northern

Ireland employment policy,

suaded a lot of US corporations from coming to the province.

According to the IDB, there were 35 new investments by foreign-owned companies in 1995-96. Together these projects are expected to create more than 4,800 lobs.

They included a £113m joint

venture between Emerson Electric and Caterpillar to make diesel generators; a £142m expansion at Montupet, the French-owned car components manufacturer which has set up in west Belfast near the peace line separating Protestant and Roman Catholic areas; and a £7.36m investment by Fujitsu, the Japanese electronics company, to make telecommunications equipment at the Springvale site, also in

US companies remain the largest source of both new investment and expansions. and cover a range of activities from Copeland Corporation which announced a £33m investment to make refrigeration parts in Cookstown, to Seagate Technology, which is expanding its Derry operation where it makes read write heads for disc drives.

IDB officials reported that there has been a 60 per cent increase in investor interest from the US, which they hope will translate into new investment commitments. The province has attracted a number of the established US names. Du Pont, the US chemicals firm. was one of the first foreign investors in the province. arriving in 1957. Ford has a car

assembly plant outside Belfast. But there are also signs of increased interest from the east where the IDB has been making a concerted marketing effort in recent years. Since 1988, Northern Ireland has

three of them since the paramilitary ceasefires - with total commitments of more than £100m and the promise of more than 2,000 jobs. In March, the IDB announced that Daewoo. the Korean electronics firm planned a £14.8m expansion at its Antrim audio equipment

manufacturing plant, creating 330 jobs. Daewoo's presence has been

instrumental in persuading a number of smaller Korean companies - some of Daewoo's suppliers - to come to Northern Ireland. Mr Frank Hewitt. the IDB deputy chief executive in charge of foreign direct investment, says investors often follow the herd instinct. "When one comes, they all come. But momentum is important. Companies don't like to be pioneers."



The visit of President BBI Clinton to Northern Ireland last year did much to highlight the province's potential

■ South west by Roland Adburgham

# desirable destination

The West of England Development Agency was launched last vear to sell the area to the world

South-west England is known within the UK as one of the most desirable parts of the country in which to live and work, as shown by its high rate of inward migration.

In the past, its relative prosperity and low unemployment, and company relocations from within the UK, caused the south-west to see little need to promote itself. That attitude has changed. It wants to be recognised as an equally desir-

able destination for foreignowned companies, and one which is well positioned to act as a European "gateway". One benchmark of this was

the launch, last autumn, of the West of England Development Agency (Weda), backed by the government's Invest in Britain Bureau, and with the brief of "selling" the area around the world.

This agency, in fact, does not represent the whole region. which is divided into two distinct parts. The west of England, with its regional capital of Bristol and the counties of Wiltshire, Gloucestershire, Somerset and Dorset, has rapid access by motorway and train to London. The far south-west

Plymouth as the dominant city, lag behind in economic terms. Cornwall, especially, has suffered from its peripheral status and changes in its traditional industries of agriculture, fishing and tourism.

As a recognition of their special case, those two counties have their own long-established agency to woo foreign companies - called Devon & Cornwall Development International (DCDI). It was not until the recent recession, coinciding with the contraction of the region's substantial defence industry, that the whole south-west realised it needed to be more positive to

attract investment. DCDI has had notable successes - attracting companies such as Toshiba and Kawasaki of Japan and Northern Telecom of Canada. In the west of England, there are substantial operations such as those of Hewlett Packard at Bristol. Swindon in Wiltshire, with its proximity to London and Heathrow airport, has many foreign-owned companies. including Honda of Japan and

Motorola of the US. Overall, however.

region's share of UK foreign direct investment has been low. In the past financial year, 4,800 jobs were created or safeguarded - only 5 per cent of the UK total. There is a variety of reasons.

Inter-county rivalries undermined the promotion of a regional strategy. Relocation by UK companies in the 1970s and 1980s, especially those in banking, insurance and financial services, helped to mask job losses in declining indus-In turn, the government saw

limited need to upgrade the transport infrastructure or to provide grants to attract companies. Regional selective assistance is only on offer in Cornwall, Devon and south-west Dorset. DCDI has a fraction of the funding of the Welsh Development Agency, as

has the new agency, Weda. Weda itself has grown out of a clutch of initiatives for oconomic regeneration which the public and private sectors have formed in the past few years. in response to the need to create jobs for a rising workforce. Bristol, for example, has its Western Development Partner-

As an umbrella organisation with limited resources. Weda faces a tricky task of co-ordination if it is to help achieve that aim. But Mr Peter Connor. Weda's chief executive, is optiship. Gloucestershire's develmistic: The west is very much starting to think and act as a region." He sees it as a "driver WE UK assisted areas region", with good telecommu nications and universities and strengths in financial services. advanced engineering, food and drink processing, and multimedia. He believes it can capitalise upon these strengths through global networking

The west," he says, "can play a very strong card - it has high skills, high technology industries, high quality of life plus the proximity to London."

opment agency has launched

an "ambassadors" programme,

recruiting more than 100 busi-

ness people to extol the coun-

ty's merits through their over

to capitalise upon its business

parks along the M5 motorway.

Devon and Cornwall have the

Westcomiry Development Cor-

poration and Cornwall has a

promotional programme called

The result is that there are

now too many organisations,

some competing with each

other, to allow the region to

project a clear identity. The

Confederation of British Indus-

try in the south-west has called

for "outdated wrangles" to be

It states: "All the bodies

involved in economic develop-

ment within the region must

co-operate towards a common

end... The existing lack of

regional identity must be

In Pursuit of Excellence.

Somerset's agency is seeking

eas contacts.

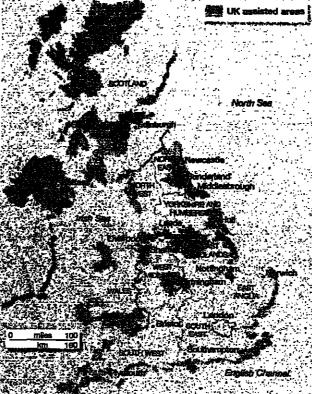
put aside.

countered.

Economic forecasters tend to share the confidence about the south-west's prospects. There are signs, too, that internationally the region is becoming recognised as a place with strong growth potential. An indication was the takeover last year of Sweb, the regional electricity generator, by the US utility Southern.

What is also clear is that insular attitudes are being abandoned.

When the CBI asked business people in the region what they considered to be the main priorities for its future competitiveness, they put promotion of inward investment at num



# Polish for a tarnished image

Continued from page 7

controlled tools. Two hig changes are under way as far as economic structure is concerned.

First, Mersey Docks and Harbour Company is back from the dead, with a highly mechanised Port of Liverpool manned by a new stevedoring workforce recruited and trained after the old one was sacked almost to a man in a dispute last year. The port was already making highest-ever profits on record annual throughput of 30m tonnes of

cargoes. The second change this year has been BHP's commencement of oil and gas production from several medium-sized fields it found in Liverpool Bay four years ago, a development which has cost the company more than £16n.

Merseyside has had only modest amounts so far - £75m spent with local companies - but this is expected to mount towards a steady £3.5m a month over 20 years as local expertise in servicing the sec-

With the oil and gas fields' supply depot in West Hornby Dock, Bootle, and the helicopter base at Liverpool Airport, the development of the new industry has given a fillip to some lesser-used dockland and the greatly under-used airport, which struggles in the shadow of Manchester's Ringway. 25 miles away. Indeed, the latter is as much Merseyside's local international airport as of anywhere else in northern Kngland.

In warehousing, the area has attracted Morrison's national distribution centre to the site of the former Parkside colliery in St Helens, and the food wholesaling subsidiary of Booker to a site between Liverpool and Warrington. In retail, PriceCostco has opened a new membership warehouse club in Liverpool city centre.

A steady drip of government and EU help - which has now become a torrent - is one factor behind this turnaround. Merseyside Development Corporation has spent 15 years rescuing the Mersey waterfront from dereliction, but a much wider area is now half way through spending 1630m of EU catch-up funding over six years, awarded after average gross domestic product a head dropped below 75 per cent of the EU average.

Part of this has gone to the Mersey Partnership of public and private sectors for an image campaign stressing Merseyside's depth of talent. The partnership, however, is in

itself a big advance. Past political instability forced the private sector into hiding; its participation now in promoting Merseyside testifies to the improvement in the gen-

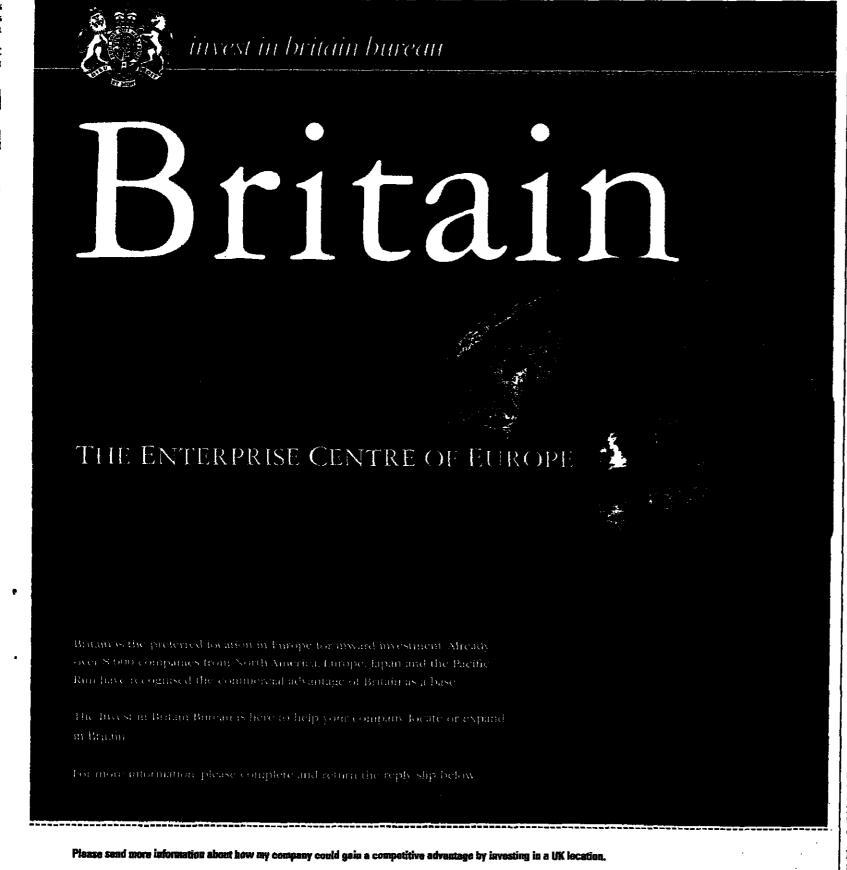
eral climate for business. Mr Rami says research has shown a 50 per cent improvement in national busin ence awareness of Merseyside's strengths since its campaign began, with an 18 per cent gain in positive perceptions. It means more investors will at least look at the area rather than reject it unseen.

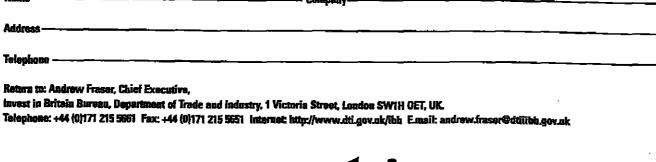
Merseyside is still getting some bad press, however. A spate of gangland shootings brought predictably lurid coverage by some London journalists with poor local knowledge. Mr Peter Davies. Liverpool city council's information chief, claims its gun-crime problem is not as bad as London's.

Meanwhile, the dockers sacked by the port last year - they refused to cross an unofficial picket line - have generated coverage reminiscent of Merseyside's bad old image as a bastion of intransigent trade unionism.

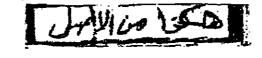
Many in the business community active in promoting the area, however, believe this has, paradoxically, been a good advertisement The port is now doing even

better, proving, they say, that even on Merseyside a determined management can manage - a vital factor in











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FT MANAGED FUNDS SERVICE Offshore Funds and Insurances ● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details. LUXEMBOURG (REGULATED)(\*\*) -0.9736 -0.9736 -0.9845 -0.9747 \$1,9260 \$2,1180 \$2,3536 \$1,3611 \$17.84 Y416 19.56 유다 보다 +0.02 •0.03 \$2,366 -0.044 \$2,034 -0.003 +0.15 +0.15 +0.10 -0.08 -0.09 -0.06 -0.05 ASA 97 CSS.78 DM4.80 SS.75 CS.49 SS.16 TS.47 +0.07 +0.01 +0.01 +0.01 +0.07 Fidelity Funds (#) Kassallis Hae, Place O -07 -07 \$2 103 \$4,806 \$15 48 \$140,8 \$3,026 \$2,741 -0.11 -0.11 77.11 77.A4 \$22.14 \$0.87 \$14.59 \$8.563 \$1.60 \$1.75 \$1.75 \$1.05 \$1.16 \$2.76 \$2.76 \$2.76 \$3. 57.65 67.65 \$17,98 516.41 511.18 510.57 -0.17 -0.16 -0.09 -0.08 **LUXEMBOURG** 16.36 (SIB RECOGNISED) 16.12 1.831 +0.907 0.31 2.007 +0.015 0.00 2.382 +0.039 0.03 1.080 +0.091 0.00 2.382 -0.010 0.00 2.582 -0.010 0.03 1.909 +0.001 1.40 0.927 +0.007 7.81 -0.15 -0.14 -0.06 -0.06 -0.13 -0.13 TOW Locambourg Funds \$13.63 \$12.74 -0.03 -0.04 50a11.36 \$1.079 \$5.518 \$1.250 Y1796 -001 544 +0409 577 - 579 - 739 -3 261 -**4**35 ∷∷ -08 -08 -08 10.40 \$10.84 \$10.75 -0.09 -0.09 -0.01 -0.0t \$16.82 \$16.76 Equity Fund Ma +0.01 +0.01 +0.03 +0.03 +0.00 +0.00 +0.00 Opios Bancaire Prives L19765 L3975 L3975 L3751 L11508 L3788 L3788 L10081 L10081 L10847 L9168 L9679 L138249 isels Ltd (a) 0171-628 1234 -0.18 -0.90 -0.10 -0.13 -0.08 Foreign & Co sel Emerping Markets (11) nial Portfolios Fo Sicavia) arms 2 5024 201 0171-608 1217 -0.40 -9.00 -0.28 +0.02 -0.10 -0.7B "WESTERTHURP Found Abugged Co (Lock) SA WAR Global Ind Board A. - Excell & 1258 — WAR Global Ind Board T. - Excell & 1258 — 100 WAR Global Ind Espair A. Excell B. - 44,01 WAR Global Ind Espair A. Excell B. - 44,01 WAR Global Espair A. Excell T. - 44,05 WAR Global Exception A. Excellent T. - 44,05 WAR Global Exception A. - 44,05 WAR Global Exception A. Excellent T. - 44,05 WAR Global Exception A. - 44,05 WAR Global ect S.A. (u) \_\_ <u>5</u>1<sub>2</sub> -0.31 -0.16 -0.05 -0.05 -0.05 528 INSURANCES S1.23 125 Pictet Group \$190.00 For 182.32 Out 142.22 | Section | Company | Comp A. THE PARTY R. L. I. S. L. I.

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FINANCIAL TIMES THURSDAY JULY 18 1996 LONDON SHARE SERVICE MY TRUSTS SPLIT CAPITAL - CONT. OTHER FINANCIAL - Cont. SUPPORT SERVICES - Cost. and the first state of the stat Marco de Mar

### **MARKET REPORT** Equities take heart from big Wall Street rally

By Steve Thompson, UK Stock Market Editor

Wall Street's startling recovery on Tuesday night gave London's equity market a much needed boost yesterday. The Dow Jones Industrial Average, which had been some 160 points lower at one stage on Tuesday, eventually closed nine points

And European markets, including London, were given a further shot in the arm when Wall Street opened for business yesterday afternoon. The Dow raced up more than 60 points, only to slip back rapidly later in the session.

Helping UK shares build on a

bright start to the day was some encouraging economic news, which included better than expected fig-

ures for average earnings. On the other hand, the market was unsettled by the minutes of the June meeting between Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, gover-nor of the Bank of England. These revealed the governor's unhappiness over the chancellor's decision to cut UK interest rates at that

The split between the two saw gilts relinquish their initial small gains and eventually finish little

By the end of the day the FT-SE

100 index had recouped 25.9 of Tuesday's loss, at 3,658.2, with market observers noting the recapture of the 3.650 level as a healthy signal.

Second liners fared much less well, with the FT-SE Mid 250 index only managing to recapture 6.4 of the previous day's 90.6 drop and closing at 4,207.4. The Mid 250 was burdened by a handful of profits warnings from constituent stocks, including Iceland, the frozen food retailer, and English China Clays.

There was more had news for the recent high-flying biotechnology stocks, with British Biotech, the flagship of the sector, taking another pounding and slipping in excess of 3 per cent ahead of news that only half the £144m rights call the bottom of the markets."
Another said investors sho the rest with the sub-underwriters. Dealers said many of the bears of

LONDON STOCK EXCHANGE

British Biotech in recent days would look to close their short positions by acquiring stock when the rump is placed in the market. Seasoned traders in London

expressed their astonishment with Wall Street's overnight performance and remained dubious about the US market's ability to maintain the One head trader said he felt the

Dow had now fallen far enough in

the short term but warned: "The

Dow and the UK market don't feel

comfortable at all; it's too soon to

by UK stocks was the continuing poor level of genuine retail, or customer, business. Much of trading activity is between marketmakers. Turnover at 6pm just managed to creep over the 600m-share mark, settling at 601.3m, of which 54 per

are not for the faint hearted".

cent was in non-Footsie stocks. Retail business on Tuesday, when the market looked set at one point to register its biggest one-day fall for almost four years, was £1.8bn.



**FUTURES AND OPTIONS** 

IN FT-SE 100 INDEX PUTURES (LIFFE) \$25 per full index point

FT-SE MID 250 RIDEX FUTURES (LIFFE) \$10 per full index point

M FT-SE 100 RIDEX OPTION (LIFFE) (19558 ) \$10 per full index point

3662.0

+31,0

+3T.0

ELIRO STYLE FT-SE 100 BIDEX OPTION (LIFFE) \$10 per full prober point

13764

TRADING VOLUME

### Mood **improves** on BAT

BAT Industries, the tobacco and insurance conglomerate, rose 13 to 498p, shareholders encouraged by a UK decision that legal aid would not be granted for smoking claims.

Current action involves 300 people seeking damages of £15m. If the action had succeeded, however, it is estimated that some 200,000 cases, collectively claiming damages of £5bn to £10bn, could have

In fact, BAT does not sell cigarettes in the UK and any financial effect is likely to be minimal. But the news contributed to a gradually improving attitude to the company.

The shares have underperformed the Footsie by 9 per cent over the past year. Merrill Lynch and SGST were positive on the company in the wake of a restructuring announcement by BAT earlier this week. The shares were also helped by strong profits figures from

Philip Morris, of the US. Iceland shivers

Analysts lowered full-year pre-tax profits forecasts for Iceland, which fell 24 to 118p the worst performer in the FT-SE Mid 250 index - follow-

ing a profits warning.
The company said that in late May it had launched a new Pricewatch initiative, designed to sharpen its prices, but in the short term it was having an adverse impact on its buying SBC Warburg reduced its forecast from £72.5m to £61.5m.

while Paribas cut its estimate by £7m to £70m. Analysts said pressure on sales would continue as the popularity of fro-zen food was in relative decline and the superstores were improving their competing products. The warning had a knock-on effect on Kwik Save, which fell 7 to 431p.

Tesco rose 6 to 284p, with some analysts speculating that it will not now come to the rescue of Docks de France. However, one analyst said this line of thinking was prema-ture, as Tesco did not have to make a decision until July 23.

### Slip for ECC

English China Clays fell out of favour after the group warned of deteriorating trading conditions in its European minerals operations and lower margins at AmPac, its US sub-

sidiary. The shares surrendered 11 to 243p, as many brokers moved to downgrade current year profits expectations following the downbeat trading update. Profits predictions were reduced to around £65m.

Wolseley, the builders merchant and electrical accessories and agricultural machinery group, climbed 18 to 439p, the day's best performer in the

With around 50 per cent of the group's turnover derived from the US, the stock is easily affected by economic sentiment in that country. Thus Tuesday's retreat on Wall Street saw the shares fall back heavily in London.

However, the recovery in both US and UK markets, combined with bargain hunting, helped bring about yesterday's

rally in the stock. Hanson, whose cigar division yesterday announced the acquisition of Dutch cigar manufacturer Cadena Claassen, remained weak. The shares gave up another 3% to 157%p, in trade of 8.1m.

Rank Organisation rose 13 to 478p, with Henderson Crosthwaite forecasting it will soon reach 500p and recommending the shares as a "strong buy". Henderson feels that Rank has been heavily oversold and that news from its interim results on August 8 will be positive.

Among telecommunications stocks, Orange, a weak market of late, bounced 6 to 188% in trade of 4.7m. Around 35 per cent of the stock is held by US investors and it was US buyers that were said to be taking advantage of the recent fall in

the stock. J.P. Morgan was also said to have issued a buy note on the shares

BT saw buyers ahead of today's annual meeting and the shares closed 4 ahead at 356%p after heavy trading brought volume of 11m. Cable and Wireless was also wanted, adding 8 at 407p. Strong two-way business in Vodafone saw turnover rise to 15m. The shares edged up to 219p.

Data processing group CMG was the best performing stock in the FT-SE Mid 250 index as the market cheered the appointment of a new chief executive. The shares jumped 25 to 578p.

Among engineers, Hunting, which issued a profits warning on Tuesday, eased another penny to close at 142p. Nat-West Securities said: "Barring some major positive news on the defence side, the shares are likely to remain in the doldrums for some time."

Jul 12 Jul 11 Yrago

### FINANCIAL TIMES EQUITY INDICES

Jul 17

	34 17	301 10	- TUI 13	JUI 12	<u> </u>	trago	ruger	- LUW		
Ordinary Share	2678.7	2668.8	2723.1	2743.2	2760.8	2550.1	2885.2	2668,8		
Ord. div, yield	4,16	4.17	4.10	4.03	4.03	4.16	4.12	3.76		
P/E ratio net	15.86	15.80	16.09	16.38	16.38	15.99	17.25	15.80		
P/E ratio nil	15.77	15,71	16.00	16.29	16.29	15.75	17.03	15.71		
Ordinary Share Index since compilation; high 2685-2 19/04/95; low 49.4 26/06/40. Base Date: 1/7/25.										
Ordinary Share hourly changes										
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28,200 1785.2 33,254 613,4 28,192 1703.4 33,115 30,393 1284,7 37,025 547.7 22,500 1452,4 33,752 Jul 16 Jul 15 Jul 12 Jul 11 Yrago 1High 1029.80 1050.50 1052.10 1073.10 - 1140.40

Jul 15

Jul 16

II London starket data

LIFFE Equity options 17 102

Talk that the government may at last announce a big defence order today lifted British Aerospace. The shares

hardened 14 to 945p. Blenheim, the conference and exhibitions organiser, improved 5 to 443p on expects tion in the market that a takeover offer might emerge. United News & Media, which is believed to be interested in Blenheim, fell 9 to 620p.

Medeva, the pharmaceuticals group, rose 7 to 234p on better interim figures than analysts had expected and a confident statement on prospects.

British Biotech, which had been trading higher earlier ahead of the completion of its rights issue, slipped back in the afternoon to close 57 lower at 1963o. At that level the stock was well below the 2050p price of the rights offer, only half taken up at completion yesterday afternoon. Scottish Power moved ahead

9 to 316p after the generator declared that it had received valid acceptances in respect of 64.57 per cent of Southern Water, up 5 at 1034p, and that its bid was now unconditional. It was also announced that Electrabel, a Belgian utility, had bought a further 3m Scot-

tish Power shares and now held 1.87 per cent. Argos rose 17 to 696p and Next put on 12 at 519p, with both stocks bouncing back after marketmakers cut orices

Carpetright fell 19 to 5350. with one broking house mov-ing from "buy" to "hold". Allied Carpets shortly will come to the market and analysts believe there could be some switching into it from Carpetright. Speculation that the Monopo-

earlier this week.

lies and Mergers Commission may pronounce today on whether it would allow bids for Lloyds Chemists were said to be responsible for it rising 18 to 478p.

Results more or less in line

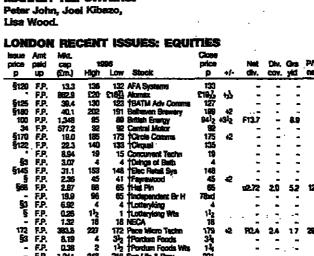
with expectations lifted H.P. Bulmer by 3 to 5890 but adversely affected Matthew Clark, another large cider maker, which fell 13 to 717p. An analyst said the fall in Matthew Clark was misjudged,

as it had been marked down last week after explaining that it had lost market share because of major restructuring. Marston Thompson Evershed fell 15% to 284%D after Kleinwort Benson moved

the stock to a "sell". A big placing helped Dana Petroleum improve 2% to 17%p. The company placed 28.5m shares at 14p a share to raise £3.99m. It said part of the proceeds would be used to fund an early production programme at

the company's Sortymskoye oil field in Siberia. MARKET REPORTERS:

Peter John, Joei Kibazo, Lisa Wood



# E2 week High Low

S Regional Indicae Africa (13) 2759.21 -1.4 2799.03 2701.13 2.58 38.07 3553.86 2272.74 2139.30 -3.1 2208.37 2578.84 1712.81 -3.5 1775,71 1787.32 19.99 2927.34 2139.30 60.93 2186.39 1488.94 Three Limited 1996, "FT Gold Alines Index" is a trade brackets show number of communics, Beam US Dollars.

Day's Jul 17 chge% Jul 16 Jul 15 Jul 12

I-T - SE Actuaries Share Indices 2.13 14.12 103.26 1509.05 1.73 20.42 116.03 1698.95 1.77 19.41 122.31 1716.16 2.05 15.14 51.69 1542.44 1.97 122.0 65.10 1243.43 2.31 19.43 38.44 1329.03 1.72 23.21 38.95 1723.25 1.21 20.73 41.85 1734.15 2.03 15.57 49.76 1550.65 4.15 3.54 3.64 4.02 5.37 2.79 3.13 3.33 3.95 FT-SE 100 FT-SE Mid 250 FT-SE Mid 250 ex buy Trusts +0.7 3632.3 3696.3 3728.3 3405.3 +0.2 4201.0 4291.6 4316.5 3756.3 +0.1 4237.1 4327.1 4352.4 3766.4 +0.6 125.5 1860.0 1874.2 1694.4 +0.6 1754.5 1782.3 1797.8 1688.8 +0.6 1903.5 1944.8 1957.7 1703.1 FT-SE-A 350 Higher Yield FT-SE-A 350 Lower Yield FT-SE SmallCap
FT-SE SmallCap at law Trusts
FT-SE-A ALL-SHARE — 2091.76 2136.30 2147.77 1891.75 — 2092.57 2136.30 2147.34 1866.43 +0.5 1808.18 1842.72 1856.40 1674.67 ■ FT-SE Actuaries All-Share garren Day's Year Div. Net P/E Xcl adj. Total Jul 17 chge% Jul 18 Jul 15 Jul 12 ago yield% cover natio yid Return

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	OII, integrated(3)	<b>\$597.13</b>						3654_2			3.98	1.72		81.84		
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22		1826.55						1875.9			4.19	1.72		47.17	929.15	
23		2399.83						2439.6			4.16	1.96			1145.0	
24		1479.55	+0	3.5 1	471.8	2 150	6,79	1528.3	3 18	55.51	7.04	1.89		58.29	895.25	
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26		2399.08						2431,4			3.33	2.45		48.78	1465.2	
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40	SERVICES(255)	2438.98					_	2499.8	_		294	1.97		52.85		- 1
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	Media(46)	4034.03						4167.2			2.26	1.88			1463.68	
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48	and the contract of	2559.09	+1	₽2	346.3	242	229 :	2427.7	5 167	1.41	1.98	2.25	28.35		1512.37	
<u>49</u>	Trensport(22)	2533.64	+0	<u> 2</u> 2	329.8	2333	115	<u> 2345.43</u>	3 <u>23</u> 2	25.11	3.49	1.49	24.06		981.07	- }
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73		1386.04	+0.	8 13	374,48	1380	.43	406.0	5 130	1.95	5.97	3.17			1051.04	- 1
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77		2467.46	-0.	32	174,24	2553	1.89 2	2586.56	212	N.56	4.25	1.81	16.27	82 NS	1418.56	ı
<u>79</u>	Property(41)	1498.85	+0.	3 14	<u> 192</u> 17	1510	.58 1	513.95	147	6.60	4.28	1.26	23.21	95.09	929.63	- 1
80	INVESTMENT TRUSTS(126)	3022.01					_	_								٠ ١
								103.16			2.32	1.11	48.33	43,60	1060,33	1
82	FT-SE-A ALL-SHARE(999)	1818.05	+0.	5 1	308.18	1842	.7 <u>2</u> 1	858.40	167	4.67	3.95	203			1560.65	1
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me of FT-SE 100 De	e/a Note 2:35	PM Day's	inic 10:97 .	AN ET OF					_		

■ FT-SE Actuaries 350 Industry baskets Open 9.00 10.00 11.00 12.00 18.00 14.00 15.00 18.10 Close Previous Change 1131.1 1132.2 1132.7 1134.9 1135.4 4998.4 4688.2 4992.1 4994.5 5003.9 2098.1 2100.1 2100.1 2085.5 2098.4 4028.2 4028.5 4018.1 4008.0 4012.1 1135.6 1183.2 1183.1 5009.6 5018.0 5021.2 2096.3 2096.6 2096.8 4012.9 4018.8 4028.3 1133.3 1132.6 1128.9 4998.2 4993.5 4963.0 2094.8 2095.9 2094.4 4027.2 4027.1 4014.4 4998.4 4988.2 4992.1 2098.1 2100.1 2100.1 4028.2 4026.5 4018.1

Additional information on the FT-SE Actuaries Share indices as published in Saturday issues.

"The FT-SE Actuaries Share indices are calculated by FT-SE international Limited in conjunction with the Faculty of Actuaries and the institute of Actuaries Share indices are calculated by FT-SE international Limited in conjunction with the Faculty of Actuaries and the institute of Actuaries. "FT-SE" and "Footies" are trademarks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE international Limited under Scenes, Auditor: The WM Company," † Sector F/E ratios greater than 80 and net

### MONTEOISON

NOTICE TO THE STOCKHOLDERS

A - REVERSE SPLIT OF THE ORDINARY SHARES AND REPLACEMENT OF SHARE CERTIFICATES Reverse split and share replacement operations affecting the outstanding ordinary shares of Montectison Spa (Ref. UIC 8471) will take place commencing July 22, 1996. The operations implement resolutions of the stockholders at the Extraordinary Meeting held on June 13, 1996, approved by the tribunal on July 11, 1996. The existing 740-lira par value shares will be replaced by new 1,000-lira shares, in the following ratio:

37 new ordinary Montedison shares of Lire 1,000 par value (Ref. UIC 107284) with dividend rights as from 1.1.96, Coupon No. 21 and higher for each block of 50 old ordinary Montedison shares of Lire 740 par value (Ref. UIC 8471) with dividend rights as from 1.1.96, Coupon No. 4 and higher.

The arrangements for the reverse split and replacement operations are as follows:

Shareholdings administered centrally by Monte Titoli carried out by Monte Titoli via its accredited agencies, in accordance with instructions from

Other shareholdings
carried out at the Montedison Securities Office, Foro Buonaparte 31, Milan, or at the offices
of the accredited agencies listed below, against receipt of the existing share certificates,
accompanied by the necessary form. As from October 1, 1996, these operations will be effected exclusively at the Montedison Securities Office, Foro Buonaperte 31, Milan.

Securines Ornice, Fore Budnapiane 31, Milan.

Under an agreement between Montedison Spa and ROMA-SIM Spa to facilitate the operations, the latter company has appointed agents to effect dealings on behalf of stockholders. On request, the agent will carry out the transactions needed to adjust the holding to a whole number of new ordinary shares, based on the reverse split ratio of 37:50, involving dealings in old shares or fractions of new shares. Such dealings will be based on the calendar-month average settlement price of Montedison ordinary shares published by Stock Exchange Council in the Italian Stock Exchanges' Official List for the preceding month. The replacement of share certificates will be free of charge, as will the dealing services just

Under arrangements with the Stock Exchange Council, the old Montedison 740-lira ordinary shares (Ref. UIC 8471) will be quoted on the Italian Stock Exchanges' telematic market through July 19, 1996, As from July 22, 1996, only the new Montedison 1,000-lira shares (Ref. UIC 197284) will be quoted.

The corresponding operations in respect of old issues of Montedison ordinary shares or of shares in companies earlier absorbed by Montedison can be arranged only via the Montedison Securities Office, Foro Buonaparte 31, Milan.

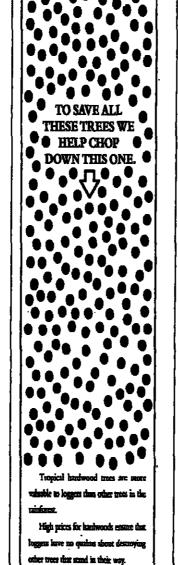
B - EXCHANGE RATIO ON EXERCISE OF MONTEDISON WARRANTS 1994-97 The abovementioned extraordinary meeting of the stockholders held on June 13, 1996 also approved a change in the basis for exercising warrants indicated in Clause 2, Point 1 of the Rules. Effective from the day following the meeting just mentioned, the new ratio is: 37 new Montedison 1,000-lina ordinary shares (Ref. UIC 107284) for 100 warrants, at an exercise price of Line 1,000 per share.

Montedison Spa has engaged ROMA-SIM Spa to carry out, at the request of the holders, such dealings in the warrants as are needed to adjust holdings to 100 warrant or multiple thereof. This service will be provided free of charge.

Agencies accredited for the reverse split and share replacement operations In Italy: Monte Titoli (in the case of the securities it administers), Banca Commerciale Italiana, Credito Italiano, Banca di Roma, Banca Nazionale del Lavoro, Rolo Banca 1473, Banco Ambrosiano Venetto, Cassa di Risparmio delle Provincie Lombarde, Istituto Bancario San Paolo di Torino, Banco di Napoli, Banca Monte del Paschi di Siena, Banca Nazionale dell'Agricoltura, Banca Popolare di Milano, Banca Popolare di Novara, Banca Popolare di Bergamo - Credito Varesino.

Abroad (agents of Italian banks): Société de Banque Suisse - Basie and Zurich; Union de Banques Suisses - Zurich; Banca della Svizzere Italiana - Lugano; Banque Indosuez - Paris; National Westminster Bank -London; Banque Bruxelles Lambert - Brussels; Deutsche Bank - Frankfurt am Main; ABN-AMRO NV - Amsterdam and Rotterdam; The Bank of New York - New York.

MONTEDISON Spa - Registered Office in Milan at Foro Buonaparte n. 31 Share Capital L. 4,675,407,578,000 fully paid Milan's Register of Companies no. 310653



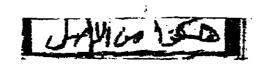
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World Wide Fund For Nature



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	Arthur Dr 0.28 18 551 19 <sup>1</sup> 4 18 <sup>1</sup> 2 19 <sup>1</sup> 4 + <sup>2</sup> 6 Arcteo 0.24 20 800 11 <sup>1</sup> 4 10 <sup>1</sup> 2 11 <sup>1</sup> 4 + <sup>2</sup> 6	Ezcorptov 4 41 5 <sup>1</sup> 2 5 6	Mattern Int 1818537 2738 2738 7334 +134 McGrath R x 0.56 11 58 2032 1832 2032 + 8	Shouthar 130 875 17 15 4 17 vt Sent On 54 1426 42 33 4 41 5 v2 4
	Argestati 1.48 12 460 30 4 30 30 4 4 Argestati 0.01 2 1398 7 6 6 -5	-F-	McCorme 056 21 1426 22 21 2 21 3 14 4 Motes for 0.16100 57 12 11 4 12 4 4 Metamine 0.24 13 15 74 74 74	Signal 0.44 18 4378 51 4314 5214 4112 Signatures 10 1415 516 516 516 516 Securities 206 11 165 2315 2315 2315
1	Armor # 0.84 45 554 15% 14% 15% 6% Accept to 0.84 13 127 14% 13% 13% 13% -% Armor 5 2350 8% 7% 8% 6% 1	Fest Cry 19 185 64, 6.27 64, +14,   Fest Cry 024 14 296 u15 124, 144, +142   Festional 0.02 48 6917 394, 38 3842 +12	Memor Cp 0:10 27 102 251 <sub>8</sub> 251 <sub>2</sub> 251 <sub>4</sub> +1 <sub>4</sub> Memor 0.24 15 5565 121 <sub>4</sub> 121 <sub>8</sub> 121 <sub>2</sub> +1 <sub>8</sub>	Secretion 615777 17% 16% 17% -17% Sengeon 0.40 12 34/0 27% 2 3 3%
l	Apportiel 32 3928 40 <sup>1</sup> 4 35 <sup>1</sup> 4 39 <sup>1</sup> 2 +5 <sup>1</sup> 2 AST Rench 0 3880 6 5 <sup>1</sup> 8 5 <sup>1</sup> 2 + <sup>3</sup> 4 AST Rench 28 440 12 <sup>7</sup> 2 12 <sup>7</sup> 4 12 <sup>7</sup> 5	ReP and 26 5459 24 1/2 22 4 +2   Position 1.04 16 1981 52 50 4 51 1/2 +1 1/2	Mercant B 092 10 2089 25 <sup>1</sup> 2 25 <sup>1</sup> 4 25 <sup>1</sup> 9 • <sup>1</sup> 4 Mercant 3 553 14 13 <sup>1</sup> 8 13 <sup>1</sup> 2 - <sup>1</sup> 8 Mercany G 0.96 12 442 43 41 <sup>1</sup> 4 42 <sup>1</sup> 5 • 1 <sup>1</sup> 4	Smithing 4 3 1% 1% 1% 1% 1% 5 5 5 5 5 5 5 5 5 5 5 5
1	Address 28 440 127 <sub>3</sub> 127 <sub>3</sub> 127 <sub>3</sub> Atl SEA: 0.38 14 3047 241 <sub>6</sub> 231 <sub>2</sub> 237 <sub>3</sub> Akmel 1643210 277 <sub>3</sub> 251 <sub>4</sub> 257 <sub>4</sub> +21 <sub>4</sub>	Regular 0 205 7, d <sup>1</sup> 4 4, - <sup>1</sup> 8 Regular 0 204 66 125 15 <sup>1</sup> 2 15 <sup>1</sup> 4 15 <sup>1</sup> 4 - <sup>1</sup> 8 Regular 293 5073 24 <sup>1</sup> 2 21 <sup>1</sup> 2 23 <sup>1</sup> 2 +1 <sup>1</sup> 2	Mangel 0 2997 3 2/1 2/4 +/4 Mange At 12 5135 1014 014 1016 +78	Southest 0.85 11 1905 28 2712 25 475 Spendi A 0.20 74 2431 10 374 375 472
	American 6 3420 3/6 2/1 3/6 +/6 American 0.24 12/3450 22/4 21/4 21/6 -//	Plenet   293 5973 2432 2132 2332 +132     Free Am   1,24 11 779   42 4138 4178 +34     Free Sector   0.84 15 710 2638 2578 2512 -32	Mestanda A 0.20 18 221 174 164 174 MFS Cm 1335836 344 3212 341 <sub>8</sub> +15 <sub>0</sub>	Spagnes 65 85% 70% 18% 19% 47% St. Judenia 0.40 16 9453 91% 30% 31
1	American 2 5 25 25 25 25 25 25 25 25 25 25 25 25	Fat Tenn 1.06 12 800 30 29 29 3 29 3 -18 Fatment 1.06 18 250 29 4 28 4 29 + 14	Microsope 337 3513 14 12 4 1312 +1	\$2 Paddic 0.49 11 707 707402014 7073 416 \$25000 3410560 17 16 16 16 4 475 \$250000 57 9840 2514 2414 2414 475
١	-B-	Figure 22 2505 30 28 <sup>5</sup> g 29 <sup>3</sup> g + <sup>3</sup> g Figure Int 15 3731 7 <sup>5</sup> g 6 <sup>7</sup> g 7 <sup>3</sup> g → <sup>1</sup> g Figure Int 10 10	### ### ### ### ### ### ### ### ### ##	Shi Micro 9 1635 1219 1112 1154 419 Shell for 0.10 17 2071 12 1114 12 414
ļ	BEI B 0.08 23 121 9 85 8 +12 Beker J 0.08 2 222 7 63 63	FoodLAx 0.11 22 2055 812 858 858 16 FoodLBx 0.11 20 4908 839 838 839 339	Mid Ag M 11 47 13 <sup>1</sup> 8 12 <sup>7</sup> 8 13 <sup>1</sup> 8 + <sup>3</sup> 8 Mid Ag M 0.50 25 622 13 12 <sup>1</sup> 4 12 <sup>1</sup> 4 - <sup>1</sup> 8	StoketiSA 020 1 191 312 314 314 15 Stoket 6 723 1612 1618 1612 153
	Bachesia 0.32 9 z100 1914 1914 1914 -32 Bachesia 74 438 416 438	Foster A 7 10 37s 37s 37s Fix Ref 0.60 9 1822 227s 2172 2252 +12	Males H 0.52 18 1770 34 <sup>2</sup> g 32 <sup>5</sup> g 34 <sup>1</sup> g +1 <sup>3</sup> g 188650 2717 41 <sup>1</sup> 4 40 <sup>1</sup> 4 40 <sup>5</sup> g	Streeting 1 to 17 351 16 at 151 151 151 151 151 151 151 151 151 15
	Banciec 38 22 185a 183a 185a +3a   BanciersCp.x0.64 10 220 175a 175a 1754 Bancierocth 1.00 10 132 325a 32 325a +15a	Fig. Hassai 1.18 10 886 27625 <sup>3</sup> 4 26 - <sup>1</sup> 4   Fuller HB 0.66 17 53 33 <sup>3</sup> 2 33 33   Fuller HB 0.68 12 68 19 <sup>3</sup> 2 18 <sup>3</sup> 4 18 <sup>3</sup> 5 - <sup>3</sup> 4	Minmeds 0.10 17 760 10 <sup>3</sup> 4 10 <sup>3</sup> 4 10 <sup>3</sup> 4 + <sup>1</sup> 2 MobileTel 7 7216 12 <sup>3</sup> 5 11 <sup>3</sup> 2 12 + <sup>2</sup> 4	Stryker 0.05 24 6485 23 % 22 % 23 % +1 % Solivent 0.20 13 633 10 % 10 % 10 % +1 %
	Benda Geo x 0.44 13 589 23 <sup>1</sup> 2 23 23 + <sup>1</sup> 8 Benda Geo x 0.44 13 589 23 <sup>1</sup> 2 23 23 + <sup>1</sup> 8		Modern Co 0.24 18 240 11% 10% 11½ +14 Modern M 0.68 12 675 26½ 25½ 26½ Modern 0.06 19 8161 27¼ 26¼ 27½ +5%	Summitten 58 2880 1018 9% 10 +12
	Beeset F 0.80 14 327 24 <sup>1</sup> 4 24 24 Bay Yew x 0.60 50 563 32 <sup>3</sup> 4 32 32 <sup>3</sup> 8 <sup>1</sup> 6	- G -	Modes Inc	Sun Sport 6 43 346 346 346 SunMac 2205088 54 6 51 8 54 9 + 7 2
	Beginesis 240 15 1026 1111104 1104 1104 + 12 BEAsso 4 1697 147g 137g 147g +17g BesuitCos 0.42 15 31 87g 8 87g +14	GELACO 21 50 27g 27g 27g 27g +24 S&K Serv 0.007 25 1179 27 25 263u +2 Semina 5 445 442 4 442 +22	Mostage P 0.32 13 375 28 27 <sup>1</sup> 4 27 <sup>1</sup> 4 - <sup>3</sup> 4 MTS Sys 0.32 13 30 19 <sup>3</sup> 4 19 <sup>3</sup> 4 19 <sup>3</sup> 8 + <sup>3</sup> 8	Summi Tra Cott 24 37 2012 20 20
•	BFraiduff 10 1106 5g d3g 32 -1g Banakhift 17 55 164 154 154 -1g	Garnet Ro 1 4850 12 12 13 -32 Chres 2000 1424250 347 317 347 4372	Mycogen 8 296 157 <sub>6</sub> 15 151 <sub>4</sub> +1 <sub>4</sub>	Syntage inc 5314272 17 <sup>1</sup> 2 15 <sup>5</sup> 8 16 <sup>5</sup> 8 +1 Symanize: 12 8058 10 9 <sup>1</sup> 2 9 <sup>2</sup> 8 + <sup>1</sup> 2 Syntagov 0.32 6 958 13 <sup>1</sup> 4 13 13 <sup>1</sup> 4 + <sup>1</sup> 2
	Banday487 0.52 13 251 41 12 40 14 41 +12 BHA Grp 0.12 12 83 14 13 12 13 14 +14	Geel Bled 0.42 14 81 20% 20 20	- N -	Symmetric 54 285 34 <sup>1</sup> 2 34 34 + <sup>1</sup> 2 Symmetric 0.10 17 7535 13 12 <sup>1</sup> 4 13 + <sup>1</sup> 6
	Blinc	GenelaPa 19 4203 5,6 5 5 4 + 2	NAC Re 0.24 7 4 30 <sup>3</sup> 4 30 <sup>3</sup> 4 30 <sup>3</sup> 4 - <sup>1</sup> 2 Mach Fach 0.72 10 27 16 <sup>1</sup> 2 15 <sup>7</sup> 8 16 <sup>1</sup> 2 + <sup>1</sup> 2	Systemaco   27 606 1414 1312 1312 114   Systemaco   143 175   3 273 278
8	Biogen 200 9297 57 <sup>3</sup> 2 55 <sup>3</sup> 4, 56 +1 <sup>3</sup> 2 Biogen 18 5670 15 <sup>3</sup> 9, 14 <sup>3</sup> 2, 14 <sup>3</sup> 2, - <sup>1</sup> 8	Genome inc 6 2505 8 75 75 +12 Genome 30 8229 4714 45 47 +2,3	Nat Compt 0.36 13 96 20 <sup>1</sup> 2 20 20 <sup>1</sup> 4 + <sup>1</sup> 8 Nas Sun 0.13 34 1675 24 <sup>1</sup> 2 20 <sup>1</sup> 4 24 + 2 <sup>1</sup> 4	_
8	Block Drg	SetcheliG 26 3 32 <sup>1</sup> 2 32 <sup>1</sup> 2 32 <sup>1</sup> 2 -1 <sup>3</sup> 8	Novigator 0.02 9 19 18 <sup>1</sup> 4 17 <sup>5</sup> 8 17 <sup>5</sup> 8 - <sup>1</sup> 4   NEC 0.44 22 9 52 <sup>3</sup> 8 52 <sup>1</sup> 4 52 <sup>3</sup> 8 + <sup>3</sup> 8   NeScor 200 3296 49 47 <sup>1</sup> 4 48	-T- T-CellSc 71131 3 2% 3 +3s
-	Book Beans 0.32 20 1482 1434 0144 144 -38 Book 8 16 62 2314 2212 2212 +14	Galdingsl. 0.12 38 8907 111 101 101 101	Neoster 12 737 37 <sub>8</sub> 31 <sub>2</sub> 33 <sub>4</sub> +1 <sub>4</sub> Neiscane 64021572 523 <sub>4</sub> 481 <sub>2</sub> 513 <sub>4</sub> +3	Tronge Pr 0.42 18 4746 24 % 23 % 24 % 47 9 TBC Cp 13 278 7 % 7 % 7 % 4 % 4 % 17 7 7 % 4 % 17 7 7 % 4 % 17 7 7 % 17 % 1
<b>-</b>	Bootsend 14 3153 6 4 6 8 6 4 + 12 8 6 14 + 12 8 6 14 + 13 4 14 4 1 4 4 1 4 4 1 4 4 1 4 4 1 4	Gada 35 2100 7 7 7 +34 Gada 3 384 112 113 113 +35	Netwik Gen 35 3028 2234 2138 2139 +14 Meanagen 12 1618 2014 1814 19 +119	TCI CpA 5767801 15½ 14½ 14½ +½ Texhilista 24 5699 20¼ 19½ 19½ -½
Ŀ,	Brandy W A x 0.40 17 304 22 21 2 21 3 + 12 BRC Hidgs 19 18 34 433 33 Sento 0.28 17 128 18 15 15 16 16 16	Soulds Peop 0.80 25 180 23 23 23 4 23 3	New issage 1 28 2 <sup>1</sup> 2 2 <sup>1</sup> 8 2 <sup>1</sup> 4 Nardgeliet 30 546 55 <sup>5</sup> 8 52 <sup>3</sup> 4 54 <sup>1</sup> 8 +2 <sup>5</sup> 8	Technisch 104 9 54 48% 48% 48% 48% 10% 10% 10% 10% 10% 10% 10%
	BSB Baco 0.88 12 440 25 <sup>1</sup> 4 25 <sup>1</sup> 2 25 <sup>1</sup> 8 + <sup>1</sup> 4 BT Salping 0.48 77 25 43 <sup>7</sup> 8 3 <sup>7</sup> 8	State 0.24 13 50 22 <sup>1</sup> 2 21 <sup>2</sup> 3 21 <sup>2</sup> 3 Green AP 0.28 9 30 18 <sup>2</sup> 5 19 <sup>2</sup> 4 19 <sup>2</sup> 4	Newpat Cp 0.04 19 96 94 83 83 83 84 83 NexasiCmA 721485 1718 1618 1658 -18 Novison 0.72 16 154 4812 4612 4612 +112	Telco Sys 8 2297 147g 127g 147g +27g Telebat 9 3406 11 107g 107g -7g Tellahs 6727803 597g 567g 577g +27g
	Badiets   13 1421   17 2611		Notation 0.50 20 7930 4134 3934 4079 +159 Notation 17 42 33 3234 3234 -34	Telegra Cap 0.01 12 1613 12 12 11 14 12 + 13 1652 17 18 + 13
<b>=</b>	Busineshing 0.40 10 104 31 30 <sup>1</sup> 4 31	Gymborne 2012172 23 <sup>1</sup> g 20 <sup>1</sup> d 22 <sup>1</sup> g +2 <sup>1</sup> 2	N Star Un 13 20 7 <sup>5</sup> g 7 <sup>5</sup> g 7 <sup>5</sup> g NortheTel 124 14 2488 uS9 <sup>1</sup> g 58 <sup>1</sup> 4 58 <sup>1</sup> g +1 <sup>1</sup> g	TemphADR 0.20 23 7156 35 4 34 4 35 4 -73 Three Cost 3948643 40 7 38 4 40 4 2 1 2
	· - <b>c</b> -	- H -	NW Air 12 6966 363g0347g 353g -7g Novel 2621680 117g 113g 115g +1g Novelks 6 7961 363g 334g 36 +13g	12  10 192 5½ d4½ 5½   13  11 022 8 231 16½ 15½ 15½ -¼   Todd-AD 0.06 28 68 16½ 14½ 14½ 14½ +½
	C Tec 32 840 25 <sup>1</sup> 2 25 <sup>3</sup> 4 25 <sup>3</sup> 6 - <sup>3</sup> 4 CadScinups 1.04 15 8 31 <sup>1</sup> 4 31 <sup>1</sup> 4 31 <sup>1</sup> 4 1 + <sup>3</sup> 8	Hadenyd 0.76 10 60 27 25 25 25 4 +12	NFC lat 102 268 9 <sup>2</sup> 8 9 <sup>1</sup> 8 9 <sup>1</sup> 4 1 <sup>2</sup> 4 1 <sup>2</sup> 5 101 1 <sup>2</sup> 6 1 <sup>2</sup> 4 1 <sup>2</sup> 5 1 <sup>2</sup> 4	Tokyo Mar 0.31 21 5 61 3 61 3 61 3 61 3 - 3 5 Tout Brown 180 235 18 3 18 18 + 4
	ContentsCom0.20 12 732 13 <sup>1</sup> 4, 13 13 <sup>1</sup> ½ + <del>1</del> ⁄ <sub>4</sub> Content Cp 45 1622 11 <sup>2</sup> 5 10 <sup>1</sup> 4, 10 <sup>2</sup> 5 + <sup>1</sup> 4, Colores 225 1 993 5 <sup>1</sup> 4 4 <sup>1</sup> 4, 5 + <sup>1</sup> 7	190 & Co 0.08 7324657 84 58 4 62% +519		Tophe Co 0.28 32 846 514 519 518 +14
	Calgram 225 1 993 54 44, 5 +4 Calletts 14 587 144, 137, 14 +4 Candels 41 224 74 67, 74, +7		- O - OCharleys 8 544 11 <sup>1</sup> 2d10 <sup>1</sup> 2 10 <sup>2</sup> 8 + <sup>3</sup> 8	TPI Enter
•	Conden 18 1172 115 till 162 +12 Canon Inc 0.52 31 48 95 94% 94% +2% CartonCon x 0.82 18 70 37% 38% 37% +3%	Heiden 10 38 10 <sup>1</sup> 2 10 <sup>1</sup> 4 10 <sup>1</sup> 2 + <sup>3</sup> 8	Octol Com 24 5809 20 <sup>3</sup> 8 19 <sup>3</sup> 2 20 <sup>3</sup> 8 +1 <sup>5</sup> 8 Odetics A 26 868 10 <sup>3</sup> 4 9 <sup>3</sup> 4 10 <sup>3</sup> 4 +1	Trimmerk 124 11 21 51½ 50½ 51½ +½ Trimple 372 2135 19¼ 17¼ 18% +1
ı	Cascada 0.36 15 198 13 <sup>1</sup> 2 13 13 <sup>1</sup> 2 Cascada 0.36 15 198 13 <sup>1</sup> 2 13 13 <sup>1</sup> 2 Casey S 0.10 17 1248 18 <sup>1</sup> 8 17 <sup>5</sup> 8 18 + <sup>1</sup> 2	Heiselfory 7 339 73½ 12½ 12¾ 1½ Hertel 0.60 18 1661 15% 13¼ 13% +5% Hoboic 68 3350 36¼ 34½ 36¼ +3½	Offstreig 16 1787 13 <sup>1</sup> g 12 <sup>1</sup> g 12 <sup>1</sup> g + <sup>1</sup> g Oglebay N 120 6 39 45 <sup>1</sup> 4 43 <sup>1</sup> g 45 <sup>1</sup> 4 OsleCa 1.60 13 1357 34 <sup>1</sup> 4 32 <sup>1</sup> 4 33 <sup>1</sup> 1 + 1, <sup>2</sup>	Truesian 41 2239 7 <sup>1</sup> 2 6 <sup>1</sup> 4 7 1 <sup>1</sup> 2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
!	Calgare 5 4292 7 <sup>3</sup> 4 6 <sup>5</sup> 2 7 <sup>3</sup> 8 + <sup>3</sup> 2 CEM Cp 19 373 12 <sup>3</sup> 2 412 12 - <sup>3</sup> 8	House Beef 0.88 12 297 27 26 <sup>1</sup> 4 26 <sup>1</sup> 4 + <sup>3</sup> 8 Hon lads 0.48 21 2384 032 <sup>1</sup> 4 28 <sup>1</sup> 2 31 <sup>1</sup> 2 + 3 <sup>1</sup> 4	Old Sept 1.22 12 598 38 <sup>1</sup> a 37 <sup>1</sup> a 37 <sup>2</sup> a + <sup>1</sup> a Old MadB 0.92 17 63 37 <sup>1</sup> a 37 37 · <sup>1</sup> a	TysFabl 0.12.22.3300 27.26% 26% +5
2	Centrocor 2517213 275 25 25 25 - 12 Centr Fet 0.88 11 553 224 22 224 - 12 Centr Spr 9 339 2142 21 21 - 142	Hant JB 0.20173 653 214 20% 20% -18	Onterscorp 1.20 9 519 29 <sup>1</sup> 4 29 29 + <sup>1</sup> 8 One Price 64 52 4 <sup>1</sup> 2 4 <sup>1</sup> 2 4 <sup>1</sup> 2 + <sup>1</sup> 3 Oracle 4168986 37 <sup>2</sup> 4 36 37 <sup>1</sup> 2 + <sup>1</sup> 4	- <b>U</b> -
	Chandler 11 30 6 <sup>1</sup> 5 6 <sup>1</sup> 5 6 <sup>1</sup> 6 - <sup>1</sup> 4 Chapter 1 0.32 36 605 34 <sup>5</sup> 5 34 <sup>2</sup> 4 34 <sup>2</sup> 4	Harto Co 0.08 11 169 514 5 514 +14 Harto Tech 8 1891 3512 33.43 3414 +218	Dracte 4168996 37% 36 37½ +1¾ Orb Sence 612 2889 18¾ 17¼ 18½ +1½ Orb Sence 0.99 11 284 13 12% 13 +½	US Hilber 1.10 2135079 52% 51 52% +1% United 1 2442 112 15 114
ŀ	Creation 100 42724 6% 6% 6% 6% 4Å Creation 11870 1Å 1½ 1% +½ Chambro 16 11 142 13% 142	Hybridion 4 65 84 7½ 8¼ +½ Hybridion 112 17 4½ 4½ 4½	Oroganites 0.31812 6019 25-ls, 23-l <sub>2</sub> 24-l <sub>3</sub> + l <sub>4</sub> Orthods: 8 228 9-l <sub>2</sub> 9 9-l <sub>2</sub> +1-l <sub>2</sub>	UChieses   1.02 15 1196 17 <sup>1</sup> 2   16 17 <sup>1</sup> 6   +1   United St   0.40 11   363   18417 <sup>1</sup> 2 17 <sup>1</sup> 2   - <sup>2</sup> 4   United St   0.42 21   51 27 <sup>1</sup> 2 26 <sup>1</sup> 2 36 <sup>1</sup> 2
!	Chempower 14 57 14 <sup>1</sup> 2 4 <sup>1</sup> 4 4 <sup>1</sup> 4 Chippetto 8 5552 10 <sup>1</sup> 4 9 <sup>2</sup> 5 10 <sup>1</sup> 5 + <sup>2</sup> 6 Chippetto 31 8169 87 <sup>1</sup> 4 84 <sup>1</sup> 5 85 <sup>1</sup> 4 + 1 <sup>1</sup> 4	-1-	Opiniop 37 472 34 34 34 34 +16 Opiniop T 050 12 93 144 14 14 14	Under 230 13 1042 4512 4412 4412 4414 15 banco 1.12 15 6761 1378 3378 3374 472
1	Chas Ro 1.48 14 223 57 <sup>1</sup> 4 58 <sup>3</sup> 4 57 <sup>1</sup> 8 + <sup>5</sup> 8 Chas Cp 0.25 32 1723 52 <sup>1</sup> 2 51 <sup>1</sup> 4 51 <sup>3</sup> 4 - <sup>1</sup> 2	FR Sps 18 423 12 <sup>1</sup> 4 11 <sup>1</sup> 4 11 <sup>1</sup> 5 + <sup>7</sup> 8 15 161 1 283 2 <sup>1</sup> 6 2 <sup>1</sup> 7 2 <sup>1</sup> 7 1 <sup>1</sup> 8	OperTuni 1.80 13 115 33 <sup>1</sup> 4 32 <sup>1</sup> 2 33 <sup>1</sup> 4 OperTuni 4117994 35 <sup>1</sup> 8 33 <sup>1</sup> 8 33 <sup>7</sup> 8 - <sup>1</sup> 4	US Energy 43 245 18 16 2 16 2 12 US Senes 7 175 4 2 4 4 4 2 4 2 4 2 4 2 4 2 4 2 4 2 4
	Circum 25 1936 9 <sup>2</sup> <sub>3</sub> 9 <sup>2</sup> <sub>3</sub> 9 <sup>2</sup> <sub>3</sub> 9 <sup>2</sup> <sub>3</sub> - <sup>2</sup> <sub>5</sub> Circuit gc 25 12057 16 <sup>2</sup> <sub>2</sub> 14 <sup>2</sup> <sub>3</sub> 15 <sup>2</sup> <sub>4</sub> + <sup>1</sup> <sub>3</sub> Circuit gc 41 114055 54 <sup>2</sup> <sub>4</sub> 52 52 <sup>2</sup> <sub>2</sub> + <sup>1</sup> <sub>3</sub>	immuttor 24 445 10 <sup>2</sup> 4 5 <sup>2</sup> 4 9 <sup>2</sup> 4 +1 <sup>2</sup> 4 immuttopen 3 2581 3 <sup>2</sup> 4 3 <sup>2</sup> 8 3 <sup>2</sup> 8 + <sup>2</sup> 2		USTERN 100 9 573 49% 45% 43% 41% UST Corp 0.29 16 434 15% 14% 15 4% Utah Med 12 1184 11% 11% 11% -1%
	Ctz Bescp 1.16 12 157 29 4 129 29 4 -4 Casen Hbr 3 140 27 25 25 27 +4	tel Res 28 4089 11 <sup>3</sup> 8 11 <sup>3</sup> 8 11 <sup>3</sup> 4 + <sup>1</sup> 8 Informate 2941356 22 <sup>3</sup> 4 20 <sup>3</sup> 8 21 <sup>3</sup> 8 + 1 <sup>3</sup> 2	-P-Q- Paccer 1.00 7 800 47% 45 46 -5 <sub>2</sub>	UMS Telev 050 24 7 92 92 12 33 -1 Umbs 4 110 212 212 212 -12
	Comb Dr 24 157 29 <sup>1</sup> 2 29 <sup>1</sup> 2 29 <sup>1</sup> 4 + <sup>1</sup> 8 Conscions 0 533 32 4 12 + 52 Conscions 1.00 21 113 34 33 34 + <sup>1</sup> 2	Ingleshift 0.55 11 249 125 124 123 -1a Indicat 2 250 15 12 12 12	Pacitivator 0.65 10 254 85a 812 85a -14 Pacitivet 16 745 6374 6072 6179 -18 Parametec 4114606 42 41 4112 -114	LEURet Tec 97 3477 60 57 531g + 21g
	Codestants 6 32 4 <sup>1</sup> 2 4 <sup>1</sup> 2 4 <sup>1</sup> 2 Cognex Cp 1917608 15 <sup>3</sup> 4 d12 13 ·1 <sup>3</sup> 2	Intentions 94 2496 2914 2514 2612 +1	Paychex 0.24 5710986 45 43 <sup>1</sup> 2 44 <sup>1</sup> 2 +1 <sup>1</sup> 2 Payco Am 16 118 8 <sup>2</sup> 6 8 <sup>1</sup> 4 8 <sup>1</sup> 4 - <sup>3</sup> 4	- <b>V</b> - Valuent 0.40 16 325 32 <sup>1</sup> 2 31 <sup>1</sup> 4 31 <sup>1</sup> 2 +1
•	Cognos 23 971 20 <sup>3</sup> 4 18 <sup>1</sup> 4 20 <sup>3</sup> 2 +1 <sup>3</sup> 5 Coherent 20 750 45 <sup>3</sup> 4 44 <sup>1</sup> 4 45 <sup>3</sup> 4 +1 <sup>3</sup> 4 Collegen 0.20 5 1055 15 17 <sup>3</sup> 5 1 <sup>7</sup> 5 - <sup>1</sup> 5	intell 28 312 25 27 27 27 1	Pennets 0.50 27 11 101 <sub>2</sub> 10 101 <sub>2</sub> +78 Penne Tray 11 52 181 <sub>2</sub> 171 <sub>3</sub> 181 <sub>4</sub> +1 <sub>4</sub>	Vinged Oct 307 5820 22 4 21 4 21 4 - 75 Ventrites 5 723 15 14 5 15 + 75
;	Conneir 0.19 17 5794 244, 234, 244 + 4	Instgration   0.40   6.6062   6-74   5-74   5-74   1	Penn Virg 1.80 12 5 35 <sup>1</sup> 2 25 35 <sup>1</sup> 2 - <sup>1</sup> 4 Pentair 0.50 14 24 27 <sup>1</sup> 2 27 <sup>1</sup> 4 27 <sup>1</sup> 2 - <sup>1</sup> 8 Pentachi 8 296 17 11 11 11 + <sup>1</sup> 8	Vertices 29 \$35 42 375g 41 445g Vicor 31 1975 215g 195g 27 475g
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# US stocks lifted by strong earnings data

### **Wall Street**

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A spate of strong earnings reports and some bargain hunting in the technology sector helped US shares to rebound at midsession from the sharp weakness of recent days, writes Lisa Bransten in New York.

Intel helped to spark some of the buying in the technology sector with its announcement of strong second-quarter earnings, made after the market closed on Tuesday.

In early afternoon trading, the Nasdaq composite, with about a 40 per cent technology shares content was 27.72 up at 1,061.19, putting it on course for its first positive finish in more than a week. The Pacific Stock Exchange technology index added 2.9 per cent.

Shares in Intel rose \$2% to \$72% and the company's good news created optimism about the prospects for computer Hewlett-Packard makers. Hewlett-Packard added \$2% at \$48%. Dell Computer was up \$2% at \$47% and Gateway 2000 rose \$21/4 to \$33%.

Blue chip shares in the Dow Jones Industrial Average shot higher on the opening bell, climbing nearly 72 points in the first 15 minutes of trading. By early afternoon, however, the index had surrendered a good part of its gain.

At 1 pm, the Dow was showing a rise of 29.22 at 5,387.98. The Standard & Poor's 500 gained 5.35 at 633.72 and the American Stock Exchange composite climbed 11.27 to

Market

Argent Brazil

Colombia<sup>1</sup>

South Korea

Philippines

india<sup>7</sup>

Malaysia Pakistan<sup>o</sup>

Sn Lanka\*

Euro/Mid East

Czech Rep

Hungary<sup>n</sup> Jordan

Poland<sup>2</sup>

Portuga

South Africas

their replacements.

Mexico Perui

Latin America

536.87. NYSE volume was 306m

General Electric, the only Dow component to report earnings yesterday, rose \$2% to \$83 although its second-quarter earnings of \$1.15 a share were only a penny ahead of analysts' expectations.

Ford Motor, the last of the Big Three car companies to report results, beat earnings by wider margin, sending its shares up \$114 to \$31%. Chrysler and General Motors, which had already posted strong earnings, also gained, moving ahead \$1 to \$29 and \$1 h to \$48 respectively.

Time Warner and Turner sting rose after Federal Trade Commission staff agreed in principle to allow the companies to merge with certain conditions. Time added \$214, or 7 per cent, at \$35% and Turner gained \$2, or 8 per cent, at \$26.

### Canada

Toronto gave up most of an early rise by midsession and the TSE 300 composite index was just 0.41 higher by noon at 4.921.00 in volume of 31.9m shares.

Among heavily traded stocks, Bombardier, the diversified aircraft and commuter railcar maker, firmed 10 cents

High-technology stocks put in a strong performance. Newbridge Networks appreciated C\$3.25 to C\$74.25, while PC Docs Group International added C\$1.75 at C\$20.35.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

+26.4

+13.1

+22.3

+23.8 +7.2

-0.4 +20.8

+34.9

The Hang Seng index, Hong Kong's stock market benchmark, is to undergo a shake-up

The Hang Seng index, Hong Kong's stock market benchmark, is to undergo a shake-up next month, with the removal of Hong Kong Aircraft Engineering Co (Haeco), the aircraft maintenance company controlled by Swire Pacific, and Miramar Hotel and Investment, writes Louise Lucas in Hong Kong.

Their places are taken by First Pacific, the Hong Kong based marketing, distribution, telecoms and property company controlled by the Salim group of Indonesia, and Henderson Investments, the property investment company which, following a contested bid in 1993, controls Miramar. Henderson Investments becomes the third company controlled by tycoon Lee Shau-kee to make it into the Hang Seng index; property developer Henderson Land, the holding company, and Hong Kong and China Gas, the colony's dominant gas supplier, are already constituent stocks.

The switches are aimed at ensuring that the index is representative of the market, and is composed of stocks with large market capitalisations and high liquidity. According to HSI Services, which compiles the index, Haeco has a market cap of around HK\$4bn and Miramar around HK\$9bn, compared with the HK\$17bn to HK\$18bn boasted by each of their replacements.

HSI Services said the index would account for about 75 per cent of the total capitalisation of the companies listed on the colony's exchange, up from some 73 per cent. The Hang Seng index was last reshuffled in November 1994, when the imminent delisting of the Jardine group of companies, all of which were constituent index stocks, prompted a material chalcage.

In addition to the five companies in the Jardine stable, which delisted in two stages in December 1994 and February 1995 citing regulatory concerns. HSI Services took the opportunity to replace two underperformers. Lai Sun Garment and Winsor Industrial

Corporation. These seven companies were replaced with a mix of property, hotel, media and electronics companies. First Pacific, which along with Henderson Investment joins the index on August 30, was a key contender for one of the vacated slots at that time.

+8.4

% Change % Change

872.78 386.03

748.60

223.15

260.68

106.42 317.55

99.52

321.12

97.34

141.03

72.52

246.32 167,34

703.67

which are (IFeb 1 1991; (Clore 31 1992; Clules 3 1992; (Albec 31 1992; Clules

Pacific Forest Products was holding steady at C\$17 after reporting weaker than expected earnings.

### Latin America

MEXICO CITY had reversed its early strong gains by midsession as the IPC index showed a loss of 5.26 at 2,939.13.

However, brokers com-mented that the selling was not exceptionally heavy, and that most could be linked to profit-taking.

SAO PAULO was barely changed by midsession, with the Bovespa index standing 193 points up at 63,127, while the Merval index in BUENOS AIRES was similarly range bound, un 1.39 at 544.66.

### **SOUTH AFRICA**

Industrials in Johannesburg staged a mild recovery in cautions trade, with dealers saying the market was tracking world bourses, especially Wall

The overall index gained 55.8 at 6,684.2, while industrials strengthened 109.1 to 7,897.1. A London-based analyst described sentiment in the market as being broadly positive for the industrial stocks. However, a stronger rand

saw gold shares drift lower and the sector index declined 36.3 to 1.808. De Beers softened 25 cents to

R140.75, but Anglo American Industrial Corporation forged ahead R7.50 to finish at R156.

Local currency terms

+0.6 +1.8

+22.2

+16.3 +19.8

+23.5

July 12 % Change % Change 1998 over week on Dec '95

534,769,96

1,451,67

1,234.05

1.120.26

333.26

303.06

137.76

540.11

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# Milan finds support in telecoms sector

FT-SE Actuaries Share Indices

bonds enabled MILAN to call a halt to the 7.7 per cent loss of the previous eight sessions, and the Comit index finished 5.30 ahead at 616.20.

Most blue chips were higher. Stet rose LS5 to LA,764 after the government finally approved a new telecoms and television watchdog, opening the way for the privatisation of the statecontrolled telecommunications

Mediaset, the television and advertising group which was listed on Monday, dropped 2.8 per cent in immediate response to news that, from January 1997, television advertising time would be regulated under

the new government bill. The shares retreated to a low of L7,370 but steadied on news that the company would be allowed to bid for a third Italian mobile phone licence. By the close the shares were up L47 at L7,628.

Eni lost L64 to L6.998, after

Tuesday's news that a second

tranche of the group would be sold in October. Pirelli moved forward L69 to end at 1.2.405 on speculation that its cable division planned to restructure its French opera-

ZURICH extended its losses into a fifth straight session as the strengthening Swiss franc

pressured the large exporters. The SMI index finished 21.9 lower at 3,656.2, but in thin

Ciba gave up just SFri to SFr1,492 and Sandoz was SFr7

softer at SFr1.400. After the market closed, the European Commission cleared their planned merger into Novartis after the companies agreed to grant licences for methoprene, an animal anti-

Clariant, which reported flat half-year sales, receded SFr9 to

Nestlé lost SFr25 to SFr1.405. still weighed down by its disappointing results, and news from Brussels that a European women's group had threatened a widespread boycott of Perrier products in protest at an advertising campaign that it consid-

ered sexist.
FRANKFURT rose during the floor session as the Dax index ended up 27.40 at 2,497.19. The Ibis was flat. closing at 2.497.69. Turnover came to DM9bn.

Munich Re was one of the day's highlights on news that it would become a constituent of the Dax index from Septem-

The stock rose DM62, or 1.9 per cent, to DM3.319. Telekom is the other issue to be included, with Metallgesell-

12.00 13.00 14.00 15.00 Com Housey changes Arack 180 1624.58 1623.98 1623.69 1624.05 1624.05 1625.12 1625.14 1624.05 Arack 200 1654.63 1663.11 1663.45 1668.06 1666.61 1667.55 1667.65 1663.78 JH 12 Jul 11 Jal 15 . Jel 16 1689.00 1730.00 1884.07 1715.71

schaft and Continental being

Metallgesellschaft rose DM1.55, or 6.2 per cent, to DM26.50 and Continental rose 63 pfennigs, or 2.7 per cent. to

DM23.63. in the Ibis, the two stocks finished respectively at FFr26.46 and FFr23.48. PARIS rebounded in line

with the Continental trend. The CAC-40 index made 5.60 to L995.11, after a high of 2.010.47. Turnover was a modest Ffr4.1hn, reflecting continued investor caution in these uncertain times

SGS-Thomson Microelectronics, the French/Italian semiconmaker, advanced FFr9.60 to FFr164.10 after reporting a rise in second-quarter profits of 44 per cent.

AMSTERDAM featured Stork as the industrial systems company said it was paying F1302.5m for the Fokker Aviation unit of Fokker, which was

declared bankrupt earlier this year. Stork made a gain of Fl 1.30 to Fl 1.30 as the Aex index lost 1.16 to 527.11. Elsewhere, Philips recovered from recent losses to firm

Fl 1.20 to Fl 51.50 but Royal Dutch slid F13 to F1251.30. ISTANBUL dived as equities sought new support in a market starved of cash, and amid uncertainty over the new Islamist-led government's eco-

nomic policies. The composite index fell 25 per cent to close at 66,683.98. Losses this week have reached

6.3 per cent. Investors remained tense amid suspicions over the coalition's ability to tackle the country's very heavy budget

COPENHAGEN fell moderately, with a hoped-for rebound failing to materialise. The KFX index dipped 0.57 to 114.98. Interest focused on blue chips such as TeleDanmark,

which recently had its 1996 forecasts downgraded by Leb-

man Brothers. In the report, which followed a profits warning from the company, Lehman lowered its net income forecasts from Dkr3.2bn to DKr2.9bn for the 1996 year and from DKr3.5bn to

DKr3.2bn for 1997. TeleDanmark ended DKr4

cheaper at DKr278. BUDAPEST retreated for the seventh consecutive session as the BUX index fell 62.51 to 3.015.28. Turnover was Ft1.2bn. The session's most active stock was BorsodChem. a chemicals company, off Ft125 to F12.365

\_ . \*\*\*\*\*

WARSAW found little in the way of excitement from a cut in interest rates and the Wig index declined 1.7 per cent its

The National Bank of Poland announced a cut of one percentage point on Tuesday after the market had closed. Among the financials, Bank

Przemyslowo-Handlowy was off 1.7 per cent at 172 zictys and Bank Rozwoju Eksportu lost 1.4 per cent to 73 zlotys. PRAGUE followed the trend lower, with the PX50 down 2.4

at 540.5. SPT Telecom was the only riser, up Kr10 to Kr3,370.

Written and edited by Michael Morgan, John Pitt and John Diudio

### **ASIA PACIFIC**

# Foreign selling erodes advance in Nikkei

The overnight rebound on Wall Street helped to improve confidence, but earlier gains were eroded by late selling of blue chip exporters by overseas institutions, writes Emiko

Terazono in Tokyo. The Nikkei 225 average added a marginal 6.53 at 21.412.88 after touching 21,281.95 and 21,567.02. The index gained ground on bargain hunting in early trading as investors were encouraged by the rebound in the US. However, shares lost early gains as foreigners increased selling of international blue chips.

Volume totalled 290m shares against 302m. Many investors were inactive ahead of congressional testimony by Mr Alan Greenspan, chairman of the US

Federal Reserve Board. The Topix index of all first section stocks shed 0.57 to 1,625.54, and the Nikkei 300 closed 0.05 off at 300.67. Declines led rises by 555 to 469, In London the ISE/Nikkei 50

index put on 0.99 at 1,438.13. International blue chips in the high-technology and car sectors suffered from selling by foreigners. The yen's rise against the dollar also provided an incentive to take profits on companies which are most reliant on exports.

The decline in US high-technology shares weighed on Japanese counterparts, with Toshiba, the most active issue of the day, down Y15 to Y720 and Sony losing Y90 to Y6,900.

Profit-taking hit Honda Motor, which lost Y70 to Y2,640, and Toyota Motor retreated Y40 to Y2,570. Banks, which had been sold on fears of higher interest rates, rebounded. Industrial

Bank of Japan gained Y20 to Y2,510 and Sumitomo Bank added Y20 at Y2,010.

Brokers, however, came under selling pressure on fears of the negative effects of the stock market's recent sluggishness on earnines. Nomura

Securities dropped Y30 to

fell Y10 to Y1.100. In Osaka, the OSE average dipped 75.90 to 22.601.05 in volume of 18.3m shares. Aoyama Trading, the men's suits maker, rose Y110 to Y2.980 on expectations of increased buying by individual investors.

### Roundup

Heavy selling in Mr Rupert Murdoch's News Corp left SYD-NEY to give up early gains and end slightly lower. News Corp slid 20 cents to close at A\$6.66 after a report that the company was planning a \$2.4hn takeover bid for New World

Communications, of the US. Brokers said uncertainty about how News Corp would fund an acquisition of New

behind the stock's fall.

They also noted concerns that Mr Murdoch's hand might have been forced by New World's intention to make a takeover bid of its own, for King World Productions.

The All Ordinaries index ended at 2,096.1, down 4.5. TAIPEI moved higher as bargain hunters chased prices. The weighted index rose 147.23. or 2.5 per cent, to 6.102.73. Turnover was T\$45.14bn.

The financial sector gained 4.1 per cent, with China Life soaring by the daily 7 per cent limit, or T\$3.50, to T\$55 and China Trust jumping T\$2.60, or 5.3 per cent, to T\$\$1.50.

BANGKOK slipped in light trading, with Finance One one of the higgest losers as the

finance minister's statement that he would not approve the acquisition of a 20 per cent stake in Thai Danu Back-

Dealers said the news had

finance company digested the

hurt both Fin1 and TDB, and many analysts had revised down their earnings forecasts between 10 to 20 per cent. Fin1 lost Bt2 to Bt128 with 622,800 shares traded, while TDB fall Bt7 to Bt130 on volume of 89,000 shares. The SET index declined 0.71 to 89.12.

HONG KONG ran into late profit-taking which pulled the Hang Seng index down from a high of 10,734.59 to close 18.88 weaker at 10,609.10, in turnover that edged down to HK\$5.7bn. Cheung Kong Infrastructure,

a spin-off of Li Ka-shing's

Cheung Kong (Holdings), made

at HK\$12.75, against its initial public offering price of HK\$1265 Traders had expected the stock to top HK\$13.00. Shares in Cheung Kong fell 50 cents to HK\$52.26. SINGAPORE's second-line

disappointing debut, closing

stocks rehounded strongly and the Straits Times Industrial index climbed 24.58 to 2.304.03. as improved sentiment drew investors to Indonesian-linked stocks. Amcol jumped 17 cents to S\$2.73, L&M rose 33 cents to S\$2.16 and UPP posted a 42cent rise to S\$1.77.

BOMBAY gained 2.1 per cent as bulls tightened their grip on short sellers. The BSE-30 index rose 77.31 to 3,722.24 and the national bourse index 1.3 per

Seoul was closed.

This announcement appears as a matter of record only.

## Dfl 46,310,000 **Management Buy-Out**

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show number of lines Datar of stack Index	Change	Storfing Index	You Index	DM	Currency Index	on day	Ds. Yreld	Dallar Index	Storing Index	Yen Index	DM Index	Currency Index	52 week High		ago (approx)
Australia (80)	-2.4	180.42	130.91	147.05	159.27	-2.0	454	194.27	185.74	135.48	153.36	162.57	212.18	175,72	177.87
Austria (24)180.18	02	171.50	124.43	139 75	139.71	-1.6	2.01	179,89	172.00	125.45	142.61	141.93	198.73	168.11	198.04
Belgium (27) 207.56	0.4	197.56	143,34	161.02	157.56	-1.3	4.23	C06.75	197.63	144,15	163.17	159,45	215.81	186.06	199.14
Brazi (28)	-2.4	171.01	124 08	139.38	332.73	-24	196	154.36	175.53	128.35	145.30		189.70	123,97	144.48
Carada (120) 155.30	-0.7	147.82	107.25	120,48	15121	-05	2 32	1567	149 80	109.12	123.51	155.22	165.12	134.14	149,77
Denmark (30)	0.1	291.85	211.76	237.67	239.33	-1.7	1.91	306 41	292-97	213.69	241.88		309.01	276.89	283.05
Finland (23)	-1.1	179.38	130.59	145 69	181.02	-2.2	2.76	191.24	182.85	133.37	150.96		276.11	171.73	262.36
France (96)	-0.2	180.30	130.42	146 95	150.22	-20	3.20	189.69	121.56	132.43	149.90		198.39	167.70	188.31
German, (59)	-1.3	161,31	117,04	131.47	151 47	-3.0	1.33	171.72	164.18	119.75	135.55	135.55	174.38	155.66	163.65
Hong Kong (59)	-1,4	394,35	286.13	321,41	411 52	-1,4	3.47	420.03	401.68	292.96	331.62	417.39	451.19	348.81	380.98
Indonesia (27)	-1.2	132,68	139.80	157.04	283.10	-1.3	1.58	234.94	195 94	142 92	161.78	292.87		-	-
reland (16)270.21	-1.4	257,19	186.61	209 63	237 43	-2,0	361	274 04	262.01	191.11	216.32	242.37	290.82	235.88	241.02
Itoly (59)	-1.5 -0.2	72,07	52.29	58.74	95.06	-2.6	2,53	76 60	73.52	53,63	60.70	88,33	84.53	87.22	77,79
Japan (481) 148.95		141,78	102 87	115.55	102.87	-1 <i>2</i>	074	:49 28	142.73	104 11	117.84	104.11	164,68	137.75	151.72
Malaysia (107)	-0.7	529.96	384.52	43194	533.20	-0.9	1.6a	560.57	535.97	330.93	442.51	538.01	565.09	425.77	554.61
Mesico (18)	0.5	1062,23	770 72	865.76	9347.77	0.7	142	1110,35	1061.62	774.33	876.50		1325.85	791.99	1224.76
Netherland (19)	-0.7	272,80	197.94	222,34	219.14	-24	3.29	29£.53	275.85	201,21	227.75	224.50	299.69	245.79	256.58
Norway (35)249,50	-1.0	75,44	54.74	G1 49	61.12	-1 4	444	50.02	76.51	55.81	63.17	61.58	84.71	75.94	84,71
Shinesee 770	-0.9	237.48	172 31	193.56	217.28	-22	2.02	251 70	240 65	175.53	198.69	222.10	256.94	222.24	241,47
Philippines (27)205.72 Singapore (44)292.24	-1.4	198,66	144.14	161,92	272.36	-1.4	0.56	211 59	202.3C	147.55	167.02	278 10			.=
	-0.3	373.34	270.89	30 - 23	.50.15	-0.4	1.46	336.45	376.21	274.40	310.61	257.21	465.21	355.81	395,21
South Africa (44)	-2.6	322.84	234.74	263.13	328.53	-2.6	2.21	\$46.21	332.93	242.84	274.83	337.35	437.78	339.18	344,90
Spain (37) 174.68	-0.2	166.26	120.63	135.51	166.65	-1.7	3.50	174.26	167.23	122.02	139.12	169.50	183.85	145.15	153,95
Swedon (48)	-0.7	324,36	235.35	261.37	355.89	-15	2 54	349.62	327.97	239.21	270.78	342.08	350.77	280.13	286.19
Switzerland (37)	0.3	233.62	169 51	190,41	105.97	-2.1	1.59	271 25	235.85	170.57	193.08	190.12	252.34	191.24	202.63
United Kingdom (200)229.63	-0.9	151.13	109.66	123.18	156.22	-11	911	180.29	153.25	111.79	126.53	158.04	193.95	146.74	183.19
	-1.3	218.58	158.53	178.14	218.56	-1.8	4.29	232.72	222 51	162.29	183.71	222.51	237.48	216.52	221,31
USA (627)255.28	-0.3	242.98	176,30	198 04	255.28	-03	_ 232	255 96	744.73	178.50	202.06	265.98	276.47	224.83	228.33
Americas (790)233.84	-0.3	222.38	161 36	181.25	196 49	-0.3	2.31	254.36	224.03	163.44	185.01	197.08	252.43	206.37	209,73
Ешторо (710)	-0.8	196.47	142.55	160.13	178.20	-2.1	2.18	233.11	158,98	145.13	164.28	182.00	213.30	189.33	195,17
Norde (136)	-0.6	291.98	204.52	229.74	255.10	-19	2.42	295.03	534.93	207 82	235.14	253.99	306.61	261.13	277,18
Paofic Basin (880) 161.36	-0.5	153.58	171,44	125.15	113.45	-1.2	1.21	165.10	154.93	113.04	127.96	114.87	177.01	148.86	162.58
Euro-Pacific (1590)180.02	-0.6	171.35	124.33	139 66	138 00	-1.6	2.15	181 16	173.21	126.33	143.00	140.29	190.57	166.51	176.06
North America (747)248.19	-0.3	237.19	172.10	193.32	248.63	-0.3	2.32	249 32	238.96	174.29	197.29	249.31	209.52	220.03	223,46
Europe Ex. UK (510)	-0.5	179.57	130.29	146.36	154.09	-2.2	2.58	189.57	181.35	132.27	149.72	157.64	194.86	169,65	176.47
Pacific Ex. Japan (399)	-1,4	263.36	191 09	214.65	238.60	-14	3 35	280.56	268.25	195.66	221,47	241.89	296.58	243.50	265.98
World Ex. US (1800)181.13	-07	172.40	125.09	140.52	142.35	-1.6	2.15	182 36	174,35	127 17	143.95	144.58	191.55	167,36	177.07
World Ex. UK (2227)201.32	-0.4	191.62	159.04	156,18	170.42	-1.3	2 01	2CC 16	193.30	140.99	159.60	172.10	213.05	185.61	189,82
World Ex. Japan (1945)	-0,6	222,90	161.73	181 68	220.81	-1.0	266	235.57	225.24	164.28	185.96	223.07	247.55	212.62	215,88
The World Index (2427) 203.82	-0.5	194.00	140.76	158.12	174,86	-3.1	2.22	204 86	195.87	142 86	161.71	176.72	214.95	188,48	192.58

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The Pentagon is preparing a sweeping initiative to protect US troops in the Gulf and other regions from weapons of mass destruction including chemical and biological weapons, mortar attacks and massive truck

Mr William Perry, the US efence secretary, yesterday briefed a large group of senior senators on his proposed Force Protection Initiative, designed to defend US forces in Saudi Arabia, Bosnia, Turkey and other regions around the world.

"For years we have devised our force protection in response to the last threat or the last attack," Mr Perry said. "And yet, we see more significant attacks that are possible. Therefore, we want to get ahead of them and plan

Mr Perry said the Pentagon was taking seriously the stacks of intelligence reports it receives every week warning of new attacks on US troops, like last month's bombing which killed 19 servicemen in Dhahran, Saudi Arabia. "We understand that the threats chemical, biological, very large truck bombs - (are) feasible." he said. "We also understand that the terrorists that are trying to drive us out of Sandi Arabia are capable of doing

He called the senators to the Pentagon yesterday for consultations because the effort will be "costly", he said. moving some US troops to The threat can not be more remote locations.

addressed "just by moving fences and just by putting more mylar [a chemical toughener] on glass. We have to make some fundamental changes - some drastic changes in the way we configure and deploy our forces.'

The Pentagon is soon to announce a plan to shift a large number of troops in Saudi Arabia to protect them against terrorist attacks. Mr Perry, who visited Saudi Arabia shortly after the June 25 bomb blast, said the military was to reconfigure the US deployment this summer.

All the \$,000-4,000 US forces in Operation Southern Watch the deterrence mission in Saudi Arabia, are candidates for a move. "We'll have to make a balance between the ability to do the mission adequately and the desire to get more force protection," be

Planners are studying the forces in Riyadh in particular where the US military is supporting the Saudi National Guard and training the military. It would be difficult to continue these missions if the troops are moved out of the Saudi capital.

The official Saudi Press Agency reported that Prince Sultan, the Saudi defence minister, said Riyadh did not favour moving troops out of the capital. However, a defence department spokesman said on Tuesday that it was the Saudis who first recommended

# Portugal and its old colonies set up commonwealth

Leaders of the world's seven Portuguese speaking nations gathered in Lisbon yesterday to launch a lusophone commonwealth to expand their diplomatic, cultural and economic influence.

Angola, Brazil, Cape Verde, Guinea-Bissau, Mozambique, Portugal and São Tomé and Principe said they were creating the Community of Portu-guese Speaking Countries (CPLP) as a means of improving co-operation in the pursuit of common interests.

President Jorge Sampaio of Portugal suggested that giving official status to an international community united by Portuguese - a language shared by almost 200m people - would also diminish the cultural ascendancy asserted by Britain and France through

their commonwealths. The summit meeting, held close to the quays from where Portuguese navigators set out on voyages that led to the colonisation of Brazil and parts of Africa, Asia and India, was described by several leaders as the start of an historic new

But the creation of the CPLP, first suggested a decade ago, also reflects efforts by Portugal and Brazil to bolster their prestige, diplomatic weight and economic credibility by trying to assert a wider

cultural influence. The new organisation will not entail setting up any special trading or currency zone or easing immigration restric-tions. Its most visible actions will be diplomatic, including expected backing for Portugal's candidacy to be elected to the UN Security Council for two years from 1997.

"Portugal will count for more in the European Union because of the CPLP," Mr António Guterres, Portugal's Socialist prime minister, said yesterday. Brazil seeks to strengthen its position in Latin

America, where Spanish is dominant and will draw on support from the group in its bid to be made a permanent member of the United Nations Security Council.

The threat to Portugal's influence in its former colonies was made clear last year when Mozambique became a full member of the English-speaking Commonwealth. The impoverished West African nations of Guinea-Bissau and São Tomé and Principe have also moved closer to La Francophonie, the French-language community of almost 50 coun-

Despite being the former colonial power, Portugal is overshadowed within the CPLP by the size and economic might of Brazil, with 162m inhabitants. The two countries are inclined to compete rather than co-operate for a role in developing the economies of the five African members of

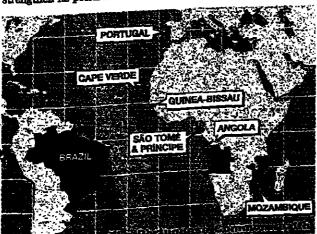
the new community.
Mr Anibal Cavaco Silva, a former Portuguese prime min-ister, acknowledged yesterday that the idea of the CPLP might have been rejected by

the African members as "neocolonialist" if Brazil had not played a leading role in its cre-The group is to make a com-

mon diplomatic effort on the subject of East Timor, where the Portuguese language and culture is central to a resistance movement opposing Indonesian rule.

Leaders attending the summit meeting appealed for self-determination and respect for human rights in the former Portuguese colony, officially annexed by Indonesia 20 years

ago yesterday. One of the CPLP's first tasks will be to consider granting East Timor, as represented by resistance leaders, observer status in the new group. Portugal also seeks to preserve the Portuguese language and cul-ture in Macao, which is due to be transferred to China in 1999.



# US prepares | Kazakhstan's oil business vs the elements | Pipeline deal sets the stage for tapping energy from hell, write Sander Thoenes and Anthony Robinson to finance a rise in annual desired canacity to 8.5 m.

he desert surrounding the oilfield on the north-ern shores of the Casern shores of the Casplan sea is as barren as the moon. In winter wolves roam the snow-covered plains; in summer poisonous sand adders - nicknamed "iwo-step adders" because their victims can take only a few steps before the venom kicks in - slither across the sand. If the ferocious mosquitoes are not biting for a day, it is because a sand storm has chased them away.

Oil crops up in the most inconvenient spots around the globe - and the Tengiz oilfield of western Kazakhstan, from which Europe is likely to get up to 70m tons of oil a year in the early 21st century - is true Nature has also stored Ten-

giz oil at considerable denths. under high pressure and with 20 per cent content of hydrogen sulphide, an invisible but lethal gas. The level of the Caspian Sea, forthermore, now only a few hundred meters from the nearest wells, is rising. When the winds are in the wrong direction the waves lan against the flimsy sand dike built decades ago by Soviet-era oilmen to protect the field they had discovered. But now the oilmen seeking

to release the oil and ship it to western markets are employed mainly by western oil companies who moved in over the last five years to exploit a resource which the Soviets had neither the money nor the

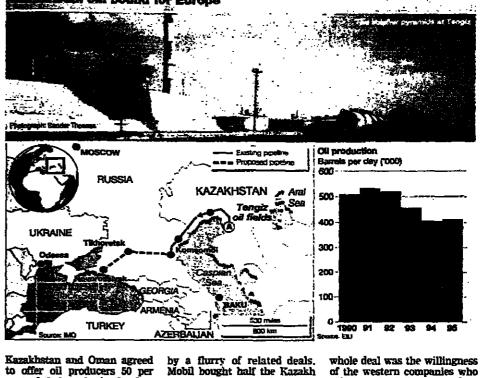
"I love it here," says Mr Nick Zana, director general of Ten-

ture between Chevron, Mobil and the Kazakh government, which has been pumping oil at the Tengiz oil field since 1993. "It's not all roses. But the sunsets are great. I've been more frustrated in other places and this is a giant oil field. When it's up and running, TCO will be one of the biggest oil companies in the world - by itself!"

This is the attitude which helped western oil producers survive the difficult years between 1991 and 1995 when they were bogged down by Russian obstructionism and bureaucratic hassles and were forced to put projects on hold. Major oil companies which were not already committed to Kazakhstan restricted their projects, and others kept out

The main problem was strategic. The only existing export pipeline from northern Kazakhstan runs across southern Russia to the Black Sea port of Novorossiysk. The powerful Russian oil and gas lobbies kept access to a trickle, blam-ing capacity limitations in the busy pipeline which carries Russian oil from the Urals region and beyond. Without free access to western markets TCO has been unable to export more than a few million tons of oil. Last year, daily production dipped as low as 5,000 tons compared with the peak of 90,000 tons daily planned for the next decade.

Since April however prospects have been transformed. The governments of Russia, The agreement was followed



government's remaining stake

in TCO for around \$1.1bn.

Royal Dutch Shell pledged to

finance Rosneft's share and

Vitol, a Dutch oil trader,

bought a 90 per cent stake in

Kazakhstan's biggest oil refi-

nery at Chimkent in the far

south of this enormous coun-

try, half the size of the US.

Kazakhstan and Oman agreed to offer oil producers 50 per cent of their stake in the Caspian Pipeline Consortium. The CPC was formed to build a 750km-long dedicated pipeline from Tengiz to Novorossiysk. On April 27, Chevron Mobil together with British Gas, Italy's Agip, two smaller US and Kazakh companies and two big Russian companies. Lukoil and Rosneft, pledged to finance the pipeline in return

Detailed negotiations over the pipeline contracts are now ment which unblocked the whole deal was the willingness of the western companies who will foot the bill to concede a total 44 per cent stake in the project to the Russian government and the two Russian oil companies. By so doing the oil companies recognised Russia's ability to block indefinitely a project it was unable to

develop alone. Meanwhile TCO has abandoned hopes of selling all its oil on western markets for a few years and is looking for short-term alternative markets

to finance a rise in annual production capacity to 8.5m tons

by the end of 1998. Much ingenuity is involved. Crude now goes by pipeline to Lithuania, by train to Finland and there are plans to send some by barge up the Volga river and down the Don to the Mediterranean. The Kazakh government meanwhile plans to ship its share of oil production to northern Iran in exchange for Iranian crude which will be delivered to Kazakh clients in the Gulf. The US government, which forbids US companies to trade with Iran. has chosen to turn a blind eye to what their Kazakh partners get up to.

Meanwhile TCO is selling its natural gas to a nearby power plant, flaring off excess hould gas - and working hard to find a market for the huge quantities of sulphur removed from the oil to make it transportable without corroding the pipelines. For every 10 tons of oil, TCO produces one ton of sulphur. Thousands of tons of the bright vellow powder are niled up like a neon pyramid outside the processing plant, although one creative marketing manager recently bartered some

Mr Zana hopes that Russia will allow more Kazakh oil through its pipelines once the CPC construction contracts are signed later this year. "Pipe lines are the only economic way. Other means of transportation are simply stop-gap measures. They cannot ensure Ten-

# US seeks target for reducing greenhouse gases

The US yesterday called for a binding global target for reducing emissions of greenhouse gases that are warming the earth's atmosphere, but declined to propose a specific target or time for its achieve-

The US statement, made to the second conference of parties to the United Nations climate change convention, was welcomed by environmentalists but criticised by the

energy lobby, which has been campaigning hard to prevent countries agreeing tough action to restrict global warming.

Mr Timothy Wirth, undersecretary for global affairs at the US State Department, told fellow ministers that the US wanted a "realistic, verifiable and binding medium-term emissions target".

However, he said the targets proposed so far, the most ambitions being for a 20 per cent cut in greenhouse gas emis-

sions from 1990 levels by 2005, appeared to be "neither realistic nor achievable".

Mr Wirth also rejected proposals by the European Union and others for mandatory policies and measures to be taken by all industrialised countries to reduce emissions, mostly carbon dioxide

He said countries should be able to decide for themselves how best to achieve the target. including mechanisms such as joint implementation (in which rich countries are credited for helping poor countries reduce their emissions) and tradeable emission permits.

The two-week conference. which ends on Friday, aims to pave the way for an accord on reducing greenhouse gases into the next century, due to be endorsed late next year when the convention's 160-odd members meet in Kyoto, Japan.

However, wide divergences remain on how targets should be framed and implemented, and how tough they should be. Australia, a big fossil-fuel

producer, with support from Japan and some other industrialised countries, has campaigned hard for differentiated targets that take national circumstances into account.

Mr Robert Hill, Australia's environment minister, also made clear yesterday that his country could not support the long-term goal advocated by the EU - an eventual halving of greenhouse gas emissions in order to keep the projected global temperature rise to less than 2 degrees Celsius.

Earlier this week, a small group of developing-country energy producers, including China, Saudi Arabia, Iran and Nigeria, blocked consensus on a resolution that would have endorsed as "a basis for urgent action" the latest report from the authoritative Intergovernmental Panel on Climate

Change (IPCC). The report, the work of more than 1,000 scientists, identified for the first time a "discernible" human influence on cli-

INTERNATIONAL NEWS DIGEST

# Sumitomo says it is co-operating

Sumitomo said yesterday it had received no official requests from UK investigators for files relating to trades by Mr Yasuo Hamanaka, the senior trader blamed by the Japanese trading

house for copper market losses of \$1.8km.
"We had meetings with British and US investigators last
month and told them we are ready to fully co-operate in their investigation," said a Sumitomo official who was responding to yesterday's Financial Times report that the group had refused to give the foreign investigators access to files. "We are fully and actively co-operating with the authorities."

Japan's Ministry of International Trade and Industry, which supervises trading houses, also said it was willing to help UK and US authorities with the investigation, but so far no

requests for assistance had been received.

The ministry said it had no jurisdiction over Japanese trading houses' commodity operations in overseas markets, such as the London Metal Exchange. Only if a company was suspected of price manipulation when trading in Japan could the ministry take action. Ken Gooding, London Ken Gooding, London

### Israeli strikers in cuts protest

Half a million workers went on strike across Israel yesterday in protest at plans by Mr. Benjamin Netanyahu, the prime minister, to cut at least Shk4.9hn (\$1.56bn) from next year's budget. Activity at banks, government offices, and transport companies came to a balt for 10 hours, while hospitals and ambulances worked with skeleton crews. The strikes also closed the Tel Aviv Stock Exchange, where shares had suffered a two-day plunge that traders blamed on high interest

The Histadrut, the main labour organisation which called the strikes, said the unions were forced to act to drive home the painfulness of the budget cuts. "We are not going to be the victims of the economic

programme of the government," said Mr Amir Peretz, the Histadrut chairman, at a demonstration of thousands outside the parliament building.

The Histadrut, which represents about 1m workers, has

complained that the planned budget cuts will hurt the working class, the elderly, and children. Sectors hardest hit would be education, transport, medical subsidies and soldiers' pensions. The strike comes at a time when Mr Netanyahu has been depending on optimism over his plan for economic reform to offset concerns about his hawkish positions on

### France cancels Gabon debt

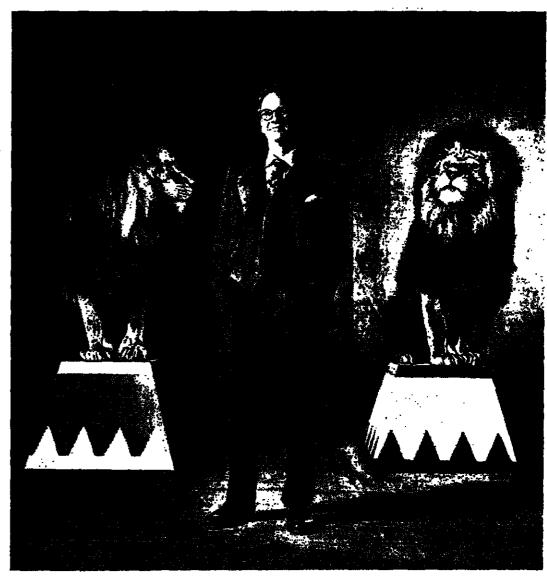
France has cancelled FFr400m (\$77.5m) of Gabon's \$4.7bn accumulated debt in a move which coincides with President Jacques Chirac's visit to the oil-producing West African state. In return, Gabon, a former French colony, has agreed to invest an equivalent sum in infrastructure and sanitation projects to be carried out by the private sector.

The French president's African trip - he is due in Congo today - is providing him with a new opportunity to portray himself as a friend of the underprivileged and a strong opponent of further cuts in industrialised countries' aid

### Uganda lays blame on Sudan

The Ugandan government yesterday accused neighbouring Sudan of masterminding weekend attacks by Christian fundamentalist rebels that claimed the lives of more than 100 refugees and sent 2,000 more fleeing for their lives. "It is clear the rebels were executing a mission on behalf of the Sudan. which has in the past stepped up its support for the destabilisation of northern Uganda..., said Mr Amama Mhabazi, the defence minister.

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rable with any other bank next door. security team like that, L-Bank is well The close ties that exist between Germany's Southwestern state and its development agency also make for for effective synergies in day-to-day operations. As a symbol of these links, the lions from the state coat of arms. dating back to the medieval Staufer With the might - and mane! - of a Landeskredithank Baden-Württemberg

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# Anti-smoking suit denied legal aid

Law Courts Correspondent

A legal action which could have left the UK tobacco industry paying billions of pounds in damages to smokers was blocked yesterday after the Legal Aid Board, which grants public funds to needy litigants, announced it would not use public money to fund the case. The action in which 300 people suffering from lung cancer and other smoking-related diseases are suing five leading tobacco companies, will now be

An internal government row

has forced a delay in legisla-

tion for the slaughter of

120,000 cattle. It has thrown

into doubt a timetable by the

prime minister. Mr John

Major, for lifting the European

Union export ban. Farmers and MPs were

taken by surprise vesterday

when Mrs Angela Browning, a

junior agriculture minister,

announced that the legislation

would not be set down until

after parliament returned from its summer break in

The delay is understood to

have been caused by Treasury

opposition to paying farmers

the full replacement value for

Mr Douglas Hogg, the agri-

culture minister, is insisting

farmers will only back the

controversial slaughter if com-

pensation is generous. But the

Treasury is opposing the esti-

mated £200m (\$312m) expense

and pressing for compensation

based on market value -

thought to be a little over half

Mrs Browning said on a

radio programme today: "It's

most unlikely now that the

debate will take place this side

The government had previ-

ously indicated the necessary

slaughtered cattle.

October.

the cost.

of the recess."

ation for farmers

dropped unless private money can be found to fund it. The £15m (\$23.4m) lawsuit, brought against Imperial Tobacco, Rothmans, British and American Tobacco, Gallabers and Philip Morris, is viewed as by far the most important smokers' litigation in the UK. If it went to court and succeeded, it could open the door to thousands of similar cases. Lawyers acting for smokers claim damages could then approach £10bn, although this figure is disputed by some

before the recess next week.

Even if it goes through in

mid-October, there is now

doubt the slaughter would

begin until November at the earliest. Then it could take

weeks of EU procedures to

After the Florence summit

last month, Mr Major pledged

the UK would be in a position

to see almost all elements of

the EU ban lifted by Novem-

ber. Earlier this month, Mr

Hogg said he hoped Britain would have all its measures

The government says the

slaughter scheme will not

start until it has cleared the backlog of cattle over 30 months' old, which are being

destroyed under the govern-

ment's separate cull pro-

gramme. Mrs Browning said

she hoped this would be

achieved "by the end of Octo-

ber" - later than previous

The agriculture ministry

insisted Mr Major's timetable

was still on course and said

preparations for the slaughter

The National Farmers Union

was last night "pushing for

clarification" of the delay. Sir

David Naish, the president,

said: "I'm not going to tell my

members they have to co-oper-

ate unless parliamentary back-

ministerial forecasts.

could begin soon.

ing is given.

'in place by September".

approve a lifting of the ban.

in the industry.

Compensation

dispute delays

cattle slaughter

Legal Aid Board said the case failed to meet the criteria for public funds being used, including its prospects of success in court. An official denied the decision was prompted by attempts to restrain legal aid spending. Although the smokers' law-

yers were paid some £100,000 to carry out preliminary work, the board did not consider the case strong enough to justify a legal aid bill likely to run into several millions of pounds. The decision was welcomed

by the tobacco companies ASH, the anti-smoking pres being sued. sure group, said it would BAT said the decision conlaunch an appeal for funds to firmed the company's view continue the action against the that the claims had insufficient

tobacco companies. legal basis. Legal actions had Ms Pamela Furness, its chief executive, said of the decision been brought against tobacco companies in different counnot to grant legal aid: "It is clear that the cost of funding tries for 40 years and none had yet succeeded, it such a gargantuan task was just too big, especially in the light of the cutbacks the board Mr Martyn Day, a solicitor acting for the smokers, said is having to face".

Shares in BAT rose 13p to

**Ownership** 

Market report, Page 26

# London's airports

challenged The opposition Labour party is considering radical proposals to loosen BAA's grip on Lonincluding putting out to ten-der the proposed new Terminal 5 at Heathrow, George Par-

The party is also examining the possibility of forcing BAA to sell Stansted and possibly Gatwick, to create more competition among airports in the south-east of England.

Labour remains concerned over BAA's dominance in the sector, in spite of Tuesday's report by the Monopolies and Mergers Commission which said the current set-up was not

# Lords condemn EU plans for takeover harmony

European Commission proposals to harmonise company takeover regimes across Europe are ill-conceived and should be opposed by the UK government, a select tee from the House of Lords parliament's unelected upper house - has concluded.

The Commission's draft of the 13th Company Law directive fails to address the real barriers to takeovers in the European Union, the Lords found.

The Lords' European Communities Committee also said

in its report on takeover bids, published today that the directive would increase the risk of tactical litigation by companies making or fighting takeover bids in London. The City's ability to resolve takeover battles quickly would also be compro-

the case could only proceed if

lawyers worked on a "no-win,

no-fee" basis or if alternative

funding was forthcoming.

The committee's findings are expected to provide ammunition for a government campaign for the draft to be withdrawn. The conclusions will also

give heart to London's nonstatutory Takeover Panel, which has waged a vigorous battle against the proposals.

The panel fears that bringing its work within a statutory framework could open decisions to challenges both in British courts and the European Court of Justice. According to Mr Alistair

Defriez, director general of the panel, the directive would undermine London's role as the takeover capital of Europe, a business that last year generated fees of £950m (\$1,482m) for City institutions. It could also throw the panel open to compensation claims by thwarted bidders or defenders equal to the value of the bid, he said earlier this year.

# Aircraft partners resolve work row

By Bernard Gray, Defence Correspondent

Two critical problems in developing the £25bn (\$54.6bn) four-nation Eurofighter have been largely resolved, clearing the way for an inter-government agreement on production of the aircraft.

Difficulties with the radar and in developing the flight computer network, which keeps the aircraft stable while manoeuvring, have slowed

development. Both problems stemmed from the way in which work was divided between different companies and were resolved after British Aerospace was appointed to co-ordinate the work. Eurofighter is now expected to feature in an aerohatic display in September at an air show near Farnborough, 60km south-west of London.

The governments involved -the UK. Germany, Italy and Spain - are now expected to authorise £4bn of investment in the tooling and production lines needed to manufacture the aircraft from September. Production costs have been informally agreed between the manufacturers and governments, with prices lower than had been anticipated.

A solution to the technical problems of the aircraft and agreement on production pricing follows resolution of a dispute between the UK and Germany on how production work was shared out.

Britain had hoped to make an announcement on Eurofighter production with the package of equipment orders to be revealed before parliament rises next week. But it will now wait for its partners to complete their preparations and for the aircraft to pass performance standards before making an announcement.

The total value of production of the aircraft is likely to be about £26bn over the next 15 years. Added to the £9bn spent on development, the programme cost is likely to reach about £35bn for 600 aircraft. The UK will have a £9hn share of the production work.

UK NEWS DIGEST

# Fresh fears for inflation target

The Chancellor of the Exchequer yesterday insisted that he was still committed to his inflation target as official documents showed that he over-ruled the Bank of England - the UK's central bank - in cutting interest rates last month. However, his comments came as the split between the chancellor, Mr Kenneth Clarke, and Mr Eddie George, the governor of the Bank of England, fuelled concern about the direction of

The split was revealed in the minutes of the monetary meeting last month, at which the Chancellor reduced interest rates from 6 per cent to 5.75 per cent.

City of London economists fear this decision, taken against the governor's advice, suggests that the chancellor's desire to create a "feel good" factor before the next election could risk the longer term inflation targets.

However, a surprise fall in wage growth in data published vesterday provided fresh ammunition to Mr Clarke's claim that inflation pressures remain subdued. Gillian Tett and Graham Bosoley, London

MORTHERN IRELAND

### Violence discourages investors

The return of intercommunal fighting in Northern Ireland has prompted potential investors to look elsewhere, the UK government said yesterday. Baroness Denton, the British minister responsible for the region's economy, warned that it was "at resk of losing the gains we made last year".

She said one leading non-UK company had indicated that it

was no longer considering Northern Ireland as the possible site for a new factory because of last week's violence. While declining to identify the company, she said she was "surprised we haven't had more".

Baroness Denton will be in the US next week, hoping to provide reassurances to pension funds expected to take part in a planned conference in Belfast in September. She will also lis-ten to the concerns of US companies whom Northern Ireland want to attract to an investment conference in Pittsburgh in October, sponsored by the Clinton administration.

FT Reporters in Belfast and London

### **■ ACCOUNTING**

### Derivatives 'must be disclosed'

Big companies would have to disclose for the first time details about derivatives and other financial instruments - and show them at their current value in annual accounts - under radical plans from the UK's accounting standards regulator. The Accounting Standards Board move on disclosure is broadly in line with new rules in other countries including the US and are likely to win widespread support.

"At present many of these derivatives are not shown in a balance sheet at all - or are shown at a figure which falls to reflect their true significance," said Sir David Tweedle, chairman of the standards board.

The board's tentative proposals published today in a discus-sion paper are designed to lead to a new code on disclosure by 1998. The more controversial plans to mark all financial instruments to market - show them at their current value are unlikely to form a new standard until the next century. Non-listed companies would escape most of the requirements. Mr Gerry Acher, head of audit at KPMG, the accountancy firm, said they should be "adopted voluntarily without delay"

### TECHNOLOGY

lthough many companies use telephone lines and modems to send or receive are opting for an alternative route:

Supporters of data delivery by satellite say it can offer a more flexible and cost-effective solution to traditional telecommunications systems. An increasing number of companies appear to agree with

Most satellite data systems use a technology known as VSat (Very Small Aperture Terminal). This comprises a small satellite dish (around 60cm to 1.2m in diameter) and a box of electronics which may be linked to a company's computer, telephone or video equipment. A VSat system can be connected to a large computer network or even an

The data delivered via VSat is assembled, packaged, encrypted and transmitted from a satellite control centre, which could be on the other side of the world. The data may be sent to a single location, or thousands of sites simultaneously. Although many VSat systems simply transmit data, a growing number are also carrying multimedia services with video, text, speech

The VSat market is well estab-lished in the US, where more than 75,000 two-way systems are in use. The market is growing around 17 per cent per year, with some 100,000 systems expected to be in use by 1998. Companies using VSat systems include Chrysler, Chevron, General Motors, Ford and Toyota. In Europe, VSat has grown more

slowly: several years ago, fewer than 2,000 systems were in use. Today, the number is nearer 10,000 systems, and is expected to double within the next couple of years.

VSat systems are being used for a wide range of functions, and by various sectors, including the automotive, retail, banking and credit-card industries. Its uses include the delivery of training materials and distance learning packages, access-ing remote databases, and also transmitting electronic mail (e-mail), business television programmes, point-of-sale information. credit-card verification data and financial updates.

Organisations with offices scattered across a country or a confinent may find it easier to link their branches by VSat rather than telephone lines or cable - especially where a country has a poor or unreliable telecommunications infrastructure. The Indian government has launched three satellites, known as Indsat, and leased them to private companies for VSat use.

Cadbury India, for example, uses a VSat service developed by WipoBT, a joint venture between Wipo, india's second largest infor- the way in VSat systems, not least



George Cole looks at a flexible and cost-effective

solution to traditional communications systems

# Delivery via the satellite route

mation technology company, and British Telecom of the UK. The service, which began operating at the start of the year, is used to link II sites, which communicate via e-mail and database software.

"The Indian telephone system is so weak, and it is very difficult to put down miles of cable for a terrestrial system," says Anil Nadkarni, information technology manager at Cadbury India. "VSat offers a much better service."

Another attraction of VSat is its cost when compared with landbased telephone systems, says Mike Cook, managing director of Hughes Olivetti Telecom (Flot): "The typical cost of a VSat site is \$300 [£190] a month, and half of that is the cost of the equipment," he says.

"A company operating on, say, a pan-European basis, could see its communications costs go down by 20 to 30 per cent in the medium term, and even more in the long

The automotive industry has led

because many leading car companies have hundreds or even thousands of dealers scattered across various countries. Last October, General Motor's Opel/Vauxhall unit ordered more than 3,000 VSat systems from Hot. The systems will be used to link the computer networks of dealers in 19 European countries. The dealers will use it for vehicle and spare parts ordering, e-mail and real-time transactions.

IBM is setting up a large VSat network for Peugeot/Citroën, which will connect 4,200 dealers in 11 European countries. The system will also be used for ordering parts and vehicles and, eventually, live video conferencing and taped broadcasts. This will simplify connection procedures and increase the number of exchanges between manufac-turers and dealers, while reducing costs. "We'll have a much closer relationship with our dealers," says Jean-Serge Bertoncini, Peugeot/Ci-

roën's director of IT. VSat technology is also being used by the banking and retail sector. In Italy, the bank consortium Infrostrada/Cedarinord has ordered almost 300 VSat terminals for branch applications, including its automated teller machine network. The French supermarket chain Casino has around 900 VSat terminals operated by France Telecom. One of the main uses of VSat by the retail sector is stock reconciliation. Sales data from a company's stores can be collected by head

office, analysed and stock replenished when required. in September, Hot will launch a new one-way VSat service in Europe, DirecPC. The service, which will operate from the Eutelsat II satellite, will link up to indi-vidual PCs and transmit data at 6m-12m bits per second. At these speeds, 400 pages of data could be transmitted in less than a minute. DirecPC will initially be aimed at

large businesses, which could use it to deliver data packages to individ-ual companies or workers. service is Deutsche Automobil Treu-

hand, owned by the German car manufacturers. Dat has ordered around 2,000 DirecPC systems and parts catalogues direct to dealers. The current distribution system puts the information on to a CD-Rom, which then has to be

DirecPC will also be used for training and distance learning, and other target markets include home workers, telecommuters and small businesses. Hot says one of the biggest attractions of the system will be its ability to deliver data from the Internet up to 20 times faster than existing telephone modems – a system it calls "Turbo-Internet".

Other possible services include the delivery of retail software direct to a PC, which users could try before they buy (the trial software is designed to become inoperative after a short period of time).
In the US, where more than 18,000

DirecPC systems have been ordered, one of the most popular consumer services is the Financial Ticker, which continually transmits stocks and share information. A consumer system, comprising

dish, electronics and software, should cost around £1,000, says Cook, with a monthly subscription of around £15.

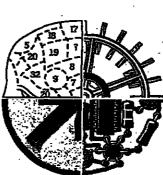
Other companies are poised to move into the satellite data market. Last month Société Européene des Satellites, which owns the Astra series of satellites, announced plans to offer an interactive multimedia service from the Astra 1H satellite. due to be launched in autumn 1998. We will initially aim the service at large businesses, such as hotels, retailers, banks and automotive sec-tors," says Romain Bausch, director general of Ses, "but we also see an opening in the SoHo [small office, home office] sector".

Eutelsat, the European satellite operator, also plans to offer a PCbased data service. The company has developed a prototype data system that uses a PC card and dish, and offers users Internet speeds around 100 times faster than existing telephone modems. "The PC cards would cost around \$300 to \$500 each, and could be available next year," says Giulino Berretta, Eutelsat's commercial director.

A further venture was announced last month by Microsoft, the US software giant, Nintendo, the Japanese game maker, and the Nomura Research Institute, which plan to launch a satellite-based online service in Japan next year.

The service will transmit a mix of sport, news, shopping and entertainment services from the St Giga satellite system to suitably equipped PCs. Microsoft plans to launch a similar service in the US one of the first to sign up for the DirecTV, the satellite digital TV ser-

### Worth Watching · Vanessa Houlder



Why nicotine feels necessary

Until recently, nicotine was usually considered to be habit-forming but not addictive. Now fresh evidence of its addictive power has been provided by researchers at the University of Cagliari in Italy, according to a report in today's Nature magazine.

When scientists injected small emounts of nicotine into rats. they found it mimicked the neurochemical and metabolic effects of cocaine, amphetamine and morphine. The part of the brain that was affected is involved with the integration and expression of the emotions – and is known to be associated with the cravings and rewards associated with drug use. University of Cagliari: Italy, tel 3970303819; fax 3970300740.

Faster download of WWW pages

Downloading World Wide Web pages can be tediously slow. Open Market, a US Internet software company, has designed software that tries to deal with this problem by retrieving requested Web pages at prescheduled times. storing them off-line and updating them when required.

The software, OM-Express, is able to interact with online information, so users can order items electronically or connect to another page. It costs \$29.95; details are available from

http://www.openmarket.com. Open Market: US, tel 6176219500; fast 6176211703.

Polymer coating cuts inflammation

Scientists in Israel believe they have found a potential method of treating chronic inflammatory The approach taken by

researchers at the Weizmann Institute and Ben-Gurion University centres on a drug delivery system that can tackle excessive quantities of "tumour necrosis factor" (TNF) in the body. Too much of this substance - which normally kills diseased cells and controls inflammation causes rheumatoid arthritis and other conditions such as disease-related weight loss.

Previous studies have shown that excessive levels of TNF can be reduced by injecting soluble receptors that bind with it into the bloodstream, but it proved difficult to maintain a steady level of the receptors.

The latest approach, reported in Cytokine, involved coating the receptors in a polymer so they were continuously released in small amounts. Tests on mice showed that injections of the polymer-coated TNF receptors alleviated symptoms such as swelling of joints for several

Weizmann Institute of Science: Israel, tel 97289343852; fax 97289344104

**Embossing beats** microchip fraud

Memory Card Technology, a Danish IT company, says it has developed a low-cost technique for cutting microchip fraud.

A serial number is embossed on each memory module it produces, during the assembly process. The number can be checked against a database of registered owners. allowing the police to trace stolen chips back to their original owner.

Memory Card Technology: UK, tel (0)1753 685444; fax (0)1753

No froth from the bottom of the barrel

The explosion of froth into a half-pulled pint of draught beer is a familiar problem for bartenders worldwide - it means they have reached the bottom of the barrel,

writes Andrew Baxter. The froth wastes beer - and the bartender's time spent cleaning up. Now Israeli-based Selector has introduced Fob Stop, which shuts off the flow of heer as soon as the keg is curpty, so that little foam comes out of the tap. The company says the device should

save 1% pints for every 100. Selector: Israel, tel 97239245559:

# Comedy squares the difference

ferences in movie culture between Europe and America. In Hollywood film-makers are crass, vulgar and dollar-obsessed (goes the wisdom). In Paris, Rome or Madrid directors wear berets or artistic frowns as they trawl the streets for human reality or hold their viewfinders to heaven to catch the pulse of l'existence universel. This was the subtext, we all

know, behind the Gatt fuss some years ago. It had nothing to with quotas or economics. but everything to do with the belief that the EC and US are two different movie hemispheres separated by a large, watery pinch of salt.

cl

But do we believe the belief? If they are separate, why do The Truth About Cats And Dogs and Les Apprentis seem like the same film in different languages? Both these comedies about human relationships have charm, warmth and wit. Both are also built on one of those unexamined clichés that are part of everyone's movie lore. It goes: people without stable relationships are dysfunctional, especially people who live in apartments.

Though based on a premise no less disputable in Saint-Germain than in Sunset Boulevard, this genre has given us richly variegated gems from Repulsion to The Tenant, from A Bout De Souffle to The Odd Couple. This week's odd couple of films once more run through

What goes in the flats of unmarried people? Unwashed

deal of nonzense is laundry goes on. Ill-stocked talked about the dif-refrigerators go on, containing at least one piece of meat or cheese developing advanced verdigris. Phone calls from anxious mothers go on, and on. And pets and musical instruments go on, as substitutes for wife or husband. In The Truth About Cats And Dogs Abby (Janeane Garofalo) is a dumpy,

> THE TRUTH ABOUT CATS AND DOGS (15) Michael Lehmann

LES APPRENTIS (15) Pierre Salvadori

HAPPY GILMORE (12) Dennis Dugan

**HUSTLER WHITE (18)** Bruce LaBruce and Rick Castro

BACK OF BEYOND Michael Robertson

acerbic voung radio yet, who returns each night to her lonely lair in Santa Monica. Abby's grotty room is housed in a wisteria-clad palazzo worthy of Ravello, but that may be just an LA production designer's consolation delirium.

Her only friends are her vio-lin and the blonde model across the hall (Uma Thurman), who being single is also dizzy and incompetent. When they fall in love with the same Englishman (Ben Chaplin), this focuses their entire minds

clean up their apartments without aid of human hand.

Chaplin is a bushy-browed cockney who first phones Abby's programme to ask why his Great Dane is growling after being required to don roller skates for a TV commercial. Anyone who needs to ask that is in need of phone-in psychotherapy himself. Instead a Chaplin grateful to

Garofalo for her help starts

dating Thurman because the first girl, embarrassed about her plain looks, pushes the second girl at him pretending that she is she. All clear? If not, a helpline will be established after this column. In the event. screenwriter Audrey Wells and director Michael Lehmann, showing that inside the man who made Hudson Howk, the man who made Heathers is still trying to re-emerge, to put lovely comic spins on this mistaken identity romance. It is not just the lead players who scatter charm, especially the ex-Larry Sanders Show Garofalo. A good comedy is nourished by its minor characters, here deliciously tart from the stern cosmetics assistant who holds up a mirror to a customer's face saying "Do you see how dry and discoloured you are?" to the pets themselves, who instead of being winsome pushovers have minds, wits and pushing-over plans of their own. The message is: we do not mind clichés about human life if they are freshly. brightly re-enacted. In Les Apprentis, a comedy of fecklessness from Pierre Salvadori,



Ben Chaplin rings a radio vet to ask why his Great Dane keeps growling in The Truth About Cats And Dogs

Gerard) is a bachelor slob living with another bachelor slob (François Cluzet).

Cluzet, writing an unfinished play, cannot even finish his letters to an estranged girlfriend. Depardieu props up their life by shoplifting gro-ceries, though his friend complains, "We only eat what fits in your pockets." At which point a third friend who works for an airline pops round with some plastic trays: "I've just

Only French cinema has this genius for plotless plots. The film shambles between endearing mishaps, the only structure being the geometrical progression by which the mishaps get worse. From domestic disarray

beating up and a spell for Cluzet in a mental asylum. The film is not all funny. but in the best sense it is a

Writer-director Pierre Salvadori, who had a debut hit with his doleful romp about a hit-man Wild Turget, has the priceless gift of non-emphasis. Comic situations are not forcegrown but spring unaided from tiny seeds of truth.

A single contrived detail would destroy scenes like Departieu's scared-silly participation in a sex threesome - he keeps throwing anxiously ingratiating glances at the girl's voyeur lover - or like the matter-of-fact brutality with which Cluzet's robbed boss, a martial arts gym owner, sets

about the appropriately in-house punishment of his employee turned thief. Happy Gilmore, a golfing

comedy, is the week's third film in which an unmarried protagonist wreaks havoc on the world. Probably not even the love of a good woman, however, would stop the sportsman-maniac of the title (Adam Sandler) from unleashing his ice hockey origins on the genteel world of three-irons. check trousers and cathedralvoiced commentators.

Happy's ability to smash golf drives into adjoining countles encourages this move from rink to fairway. That and the need to save his mother from a Sing Sing-style old people's

Aunt Edna will be in the quiltmaking chain gang. Worse than Caddyshack but better than Caddyshack 2, it passes 90 agreeable minutes. However. you should be warned that at the box office. there is a fair share of mocking

accident-prone wooden hand to Lee Trevino mercllessly asked to play Lee Trevino. Disability is no handicap, nor is any other foible, in Hustier While, a gay comedy whose visual explicitness and erotic variety make Andy Warhol seem like Carl Dreyer. So does the film's fechnical command. The Jerky, overexposed images move from one enormity to another – every mot is juste while the plot plays variations

the disadvantaged from Carl

Weathers as a golf pro with an-

trauma ward before the opening credits are over. Others. please form an orderly queue

Back Of Beyond is an Australian fantasy thriller salvaged from oblivion by the National Film Theatre. Why?, we ask. What was wrong with oblivion? Strictly Ballroom's Paul Mercurio mans a semi-derelict filling station in the remote desert, where everyone stops by from jewel thieves to pretty girls in scrub-torn short skirts. Could it all be supernatural? We only know that time and reality must be subjective in a film where people speak in 1950s-style B-movie mantras

### Theatre/Ian Shuttleworth

# 'Birdy'

lan Parker's 1984 film adaptation of William Wharton's first novel Lis now largely (and undeservedly) neglected - but not by Kevin Knight, who directs this stage version. The rooftop scenes on a

high-level gantry may coincidentally resemble the same scenes on film; it may even be mere happenstance that the actor cast as army psychiatrist Dr. Weiss (Peter Banks) bears a startling resemblance to his celluloid counterpart; but to use a poster programme image which effectively reproduces that of Parker's work surely goes beyond mere brand-recognition. Elsewhere, though, the

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play comes into its own. Where Parker simplified Wharton's novel into a superior, offbeat buddy-movie with incidental commentary upon the horrors of the Vietnam, adaptor Naomi Wallace remains faithful to the book's second world war setting and concentrates on the puzzled homoeroticism between the central duo, Al and Birdy.

This reaches its peak when the latter, imagining himself to be a bird silently demands to For fed avian-style nom and mouth, leading to the most disfed avian-style from Al' s turbing male-to-male kiss many of us are ever likely to see on stage.

Knight's stage design is remarkable. A huge, crazily

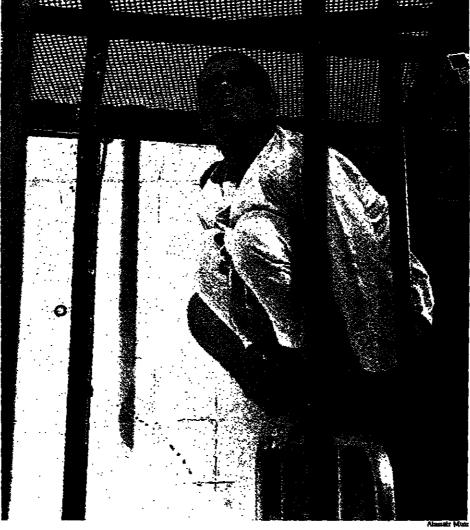
sloping circular grille takes up most of the Lyric studio's playing space; on this upper level young Al and young Birdy play out their teenage activities, as we see Birdy's increasing fascination with his feathered friends. The grille cants up to reveal beneath it. on a revolve, Dr. Weiss's surgery and Birdy's cell.

Corey Johnson makes a fine Sergeant Al, literally defaced during the war and crippled by his temper. Johnson gives Al a Montgomery Clift-like dimension of something always kept just out of sight. Matthew Wait as the older

Birdy has the crouching and flapping down perfectly. It comes as little surprise that when Birdy returns to "humanity" in the final scene, he can dismiss his delusion as pretence; no matter how the line is meant. Wait's earlier performance gives it a literal truth. The couple's younger counterparts, Adam Garcia and Tam Williams, are competent but unexceptional.

Naomi Wallace may, to an extent, be marking time before her next original play, but Birdy - despite its awkward ending - is nevertheless one of the better studio shows on display this summer.

Lyric Studio Hammersmith. London W6, until August 17 (0181 741 2311)



Truth takes flight in Matthew Wait's performance as Birdy

# Concert/David Murray Resplendent LSO helps Barbican pass the test

ast Sunday and on the previous Thursday, the London Symphony played magnificently for Kent Nagano in the Barbi-can Hall. We realised again how substantial the improvements to the Barbican acoustic have been; there could hardly be more stringent tests than Mahler's Sixth Symphony tonight and Berlioz's La Damnation de Faust (Sunday), and neither of them ever sounded clotted, glaring or harsh – except, of course, when the composers wanted them to do. It was a joy to hear the Ber-

lioz in its proper setting, which is a concert hall - ideally, as this time, with dramatic lighting, but with no attempt to stage a dramatic story. La Damnation is really unstageable (as Covent Garden discovered not long ago), because its dimensions and

proportions were not imagined

for theatrical purposes: too

much of the story omitted, too

many minor episodes dwelt

upon at length. Here Nagano kept the house mostly in darkness, the orchestra equipped with small reading-lights, and the soloists and parts of the chorus lit up in turn (and sometimes in lurid hues) as they came musically to the fore Thus La Dannation passed like a fevered dream, a fluid sequence of fantastic memories and yearnings - much like the Symphonie fantastique, in fact, which is iust as it should be.

There were several very French details of the score which sounded cosmopolitan and a bit lush in Nagano's treatment, but not to the detriment of a solid overall success. Imposing support from the London Symphony Chorus and the New London Children's Choir, excellent soloists. Giuseppe Sabbatini's tenor Faust never sounded anything but Italian, and yet was perfectly adapted to Berlioz style; Natale De Carolis's Mephis topheles, also stylish, needed only a little more bass weight: Olga Borodina made wonderful, melting sounds as Margue

The Mahler Sixth was distinguished above all by inspired playing, from every first desk and every section of the band. From Roy Carter's infinitely expressive oboe to the nobly unanimous trombones, there were creative contributions from everybody.

Nagano's reading was assured and strong. I should quibble with his (unmarked) relenting for the "Alma" theme in the first movement, which

sounded sentimental, and his emphatic tempo-changes in the finale left it as a series of vivid episodes, rather than a whole. implacably driven sequence; but the andante was ravishingly sustained, and there was a wealth of perceptive detail throughout - riches enough.

That concert also offered the premiere of James MacMillan's The World's Ransoming, commissioned by the Benjamin family for the LSO and their superlative cor anglais, Christine Pendrill. The music has the air of a religious ritual, which is indeed what it is: an orderly meditation on Maundy Thursday, of considerable breadth and depth. Miss Pendrill's instrument winds plangently through the score, while episodes with various instrumental trios spring up and pass away.

The felt drama of The World's Ransaming reaches considerable heights in the later stages. MacMillan's orchestral skill, and his art of construction, ensure that it pleases the ear and rewards

the attention. We shall surely hear more of it: for a start, when the LSO repeats it next December, not long after MacMillan's new cello concerto has its premiere with Rostropovich.

# INTERNATIONAL

### ■ AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-5730573 Catherine Leonard and Maria Kulakowska: the violinist and pianist perform works by Beethoven, Stravinsky and Wilson, 8.30pm; Jul

 Maria João Pires, Augustin Dumay, Jian Wang and Roberta Alexander: the planist, violinist. cellist and soprano perform Schubert's Piano Quintet in A. D.667 and Der Hirt auf dem Felsen; 8.15pm: Jul 19

### **BERLIN**

**EXHIBITION** Be inische Galerie -Mariin-Gropius-Bau Tel; 49-30-254860

 100 Zeichnungen – Ausgewählt aus der Graphischen Sammlung der Berlinischen Galerie: exhibition of 100 drawings from the museum's collection, spanning the period from the end of the 19th century to the

### present: to Aug 4

DUBLIN

National Concert Hall - Geoláras Nálsiúnta Tel: 353-1-6711888 The Orchestra of St Cecilia: with conductor/homist Barry Tuckwell perform works by Haydn, Mozart and Schubert; 6.30pm; Jul 19

EXHIBITION Irish Museum of Modern Art Tel: 353-1-6718666 Sidney Nolan: The Wild Geese:

painted in 1989, "The Wild Geese" series is one of Sidney Nolan's final works. From the vantage point of old-age, the artist looks at a number of key figures, who, through wanderlust or forced emigration, participated in significant flights from the familiar; to Jul 21

### **■ FRANKFURT** EXHIBITION Schim Kunsthalle Tel: 49-69-2998820 Lucio Fontana: a major retrospective exhibition featuring the work of the Italian artist Lucio

Fontana (1899-1968), The exhibition includes close to 200 works selected from museums and private collections throughout the world. Following recent research in Argentina, where Fontana was born, hitherto unknown works from Argentine sources are shown to the public for the first time; to

**LONDON** EXHIBITION

### Serpentine Gallery Tel: 44-171-4026075

Peter Fischli - David Weiss: in this exhibition these Swiss artists present an installation which CONCERT

occupies the entire space. Combining sculptural elements and video, the work exemplifies the artists' observations on the nature of ordinariness and their fascination with balance and imbalance. The artists have created a wunderkammer" (a room of wonders) made up of their sculptures, a series of slide

projections and film; to JAZZ & BLUES

Barbican Hall Tel: 44-171-6384141 Branford and Ellis Marsalis: the iazz saxophonist and iazz pianist perform interpretations of standards from the classic American song repertoire, including "Miss Otis Regrets", "Lulu's Back in Town", "Stella by Starlight" and Ellington's "Angelica"; 7.30pm; Jul

Queen Elizabeth Hall Tel: 44-171-9210600 Henry Threadgill: performance by

the jazz saxophonist/composer. accompanied by his group Make A Move, which includes guitarist Brandon Ross, accordionist Tony Cedras, double bass-player Karl Peters and drummer Gerald Cleaver, 7,45pm; Jul 19

THEATRE Barbican Theatre Tel: 44-171-6384141 Julius Caesar; by Shakespeare Directed by Peter Hall and

performed by the Royal

### Shakespeare Company. The cast Includes Christopher Benjamin; 7.15pm; Jul 19, 20 (also

### ■ LOS ANGELES CONCERT

Hollywood Bowl Tel: 1-213-850-2000

 Hollywood Bowl Orchestra: with conductor John Mauceri, soprano Diana Soviero and tenor Richard eech perform works by Rota, Puccini. Giordano and Morricone: 8.30pm; Jul 19, 20

### EXHIBITION Norton Simon Museum of Art Tel: 1-818-449-6840 Cherished vistas and famous

places: Hiroshige and the Japanese Landscape: an exhibition of 75 woodblock prints by the Japanese artist Ando Hiroshige (1797-1858). Hiroshige is best known for his many landscape series celebrating the beauty of 19th century Japan. His series "Fifty-Three Stations of the Tokaido" forms the basis for this exhibition: to Jul 21

### ■ NEW YORK

CONCERT Avery Fisher Hall Tel: 1-212-875-5030

 Mostly Mozart Festival Orchestra: with conductor Raymond Leppard, planists Andreas Haefliger, Kun Woo Palk and Christian Zacharies perform Mozart's Piano Concerto No.23 in A major, K488, Piano Concerto No.24 in C minor, K491 and Piano Concerto No.25 in C major, K503. Part of the Mostly Mozart Festival; 8pm; Jul 19

● Time Warner Concerts in the Parks: The New York Philharmonic; with conductor Eiji Oue perform works by Mussorgsky, Stravinsky, R. Strauss and Respighi in Cunningham Park, Queens: 8pm: Jul 19 1-201-935-3900

 The Three Tenors: José Carreras. Plácido Domingo and Luciano Pavarotti: accompanied by The Philharmonia Orchestra with conductor James Levine. This concert is a part of the World Tour of The Three Tenors; 9pm; Jul 20

**EXHIBITION** Whitney Museum of American Art Tel: 1-212-570-3600 Shigeko Kubota: exhibition featuring a new Installation of metal, mirror, video, and motorised sculptures, created between 1992 and 1996 by Shigeko Kubota. The sculptures - some first shown at the 1993 Venice Blennale - Include "Bird II", "Video Flower", and "Video

### PARIS DANCE

Tree"; to Aug 25

Théâtre National de I40péra -Opéra Gamier Tel: 33-1 42 66 50

 Coppélia: a choreography by Bart after Saint-Leon to music by Delibes, performed by the Ballet de l'Opéra National de Paris and the Orchestre de l'Opéra National de Paris; 7.30pm; Jul 18, 19, 20

# ■ PHILADELPHIA

EXHIBITION -215-763-8100  Cézanne: an international loan exhibition spanning the career of Paul Cézanne (1839-1906), organised by the Philadelphia Museum of Art in collaboration with the Réunion des Musées Nationaux/ Musée d'Orsay in Paris and the Tate Gallery in London. The display includes 100 oil paintings, 35 watercolours and 35 drawings; to

### SALZBURG **OPERA**

Grosses Festspielhaus Tel:

43-662-80450 Jephta: by Handel. Conducted by Nikolaus Hamoricourt and performed by Concentus Musicus Wien and the Amold Schoenberg Choir. Soloists include sopranos Dorothea

Röschmann and Isabel Rev. and mezzo-soprano Marjana Lipovsek. Part of the Salzburger Festspiele; 6.30pm; Jul 21

### ■ WASHINGTON EXHIBITION

National Museum of American Art Tel: 1-202-357-2700 Beauty Reconfigured: The Art of Thomas Wilmer Dewing: exhibition devoted to the turn-of-the-century Gilded Age artist Thomas Wilmer Dewing, best known for his

Originating at The Brooklyn Museum, this exhibition is expanded; from Jul 19 to Oct 14 Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. Copyright 1996. All rights reserved. Tel: 31 20 664 6441

depictions of women in interiors and

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**Economic Viewpoint · Samuel Brittan** 

# Sterling in euro's shadow

Labour's compromise plan for the Bank of England makes sense mainly if it is seen as a step towards full independence ahead of monetary union

Sometimes a compromise may election, it will have its hands be worse than either extreme. This may be true of Labour's policy of giving the Bank of England more "operational" say in monetary policy. Labour proposes that the Bank's monetary recommendations should not come from the governor alone, but from an eight-person Monetary Policy Committee "drawing on outside expertise", with members serving for seven years.

So far so good. The proposed arrangements are less dependent on accidents of personality than the highly publicised meetings between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, Bank governor. But the Bank has become worried about possible snags.

If it were really independent then it would make sense for individual board members' views to be eventually disclosed - as they are at both the Federal Reserve and the Bundesbank, and as Labour es. But if the Bank is still just giving advice any publication or leakage of individual views becomes dangerous, as a chancellor will usually be able to point to members who happen to agree with him rather than the governor or board majority. There is also the problem of finding high quality outside members. if they are sworn to observe a Trappist silence and have no duties but to speak and vote.

The proposed Labour arrangement makes sense mainly if seen as a transition on the road to full independence. This could come about in two ways. The Labour leadership is open-minded on the issue and will be influenced by the Bank's "track record".

But a more plausible route to independence is through membership of the European Economic and Monetary Union (Emu). It is a condition of membership that members' central banks must become independent, if only on the day before Emu takes place.

Markets are going to be disappointed if they expect Labour to come any cleaner on Emu itself. Even assuming

full domestically. A lot will also depend on just how bad the budget deficit is at the time. If the UK looks as if it can approach as near to the

famous 3 per cent limit for the deficit as Germany or France, there will be no problem. But to make a heroic cut in aggregate public expenditure larger than the Conservatives would have done (or increase taxes by more instead) would seem to Mr Tony Blair, the Labour leader, too high a price. Nevertheless, postponing a

decision or deciding to join a couple of years after the 1999 starting date has its own dangers. One minefield is the Exchange Rate Mechanism. On a strict interpretation of Maastricht, Emu founder members must be in the ERM for two years before the decisions on membership are taken in March 1998. This means they should have been inside since this spring.

Contrary to popular belief. Mr Clarke failed to get this condition waived; but he did achieve an understanding that the issue would not need to be clarified until 1998.

Is this a distinction without difference? As so often, an outlying country such as Italy or Finland might bring matters to a head. For if either or both were to rejoin the ERM, it would be as a marker

that Labour wins the next for Emu membership; and traumas with a doctrine that they would be likely to emphasise the link.

There is also a difference of perception. For most British politicians, an ERM with a 15 per cent margin of fluctuation around the central rate is a formality. But France, Germany and their immediate neighbours see it as a means of maintaining approximate exchange rate stability, but with sufficient weapons to fight speculators who no longer face a one-way bet. The ironical aspect is that it was Mr Clarke who - when the UK was a non-member - proposed the 15 per cent margins in 1993 when the ERM was threatened with break-up or going into

The most acute place where UK dilemmas could come to a head is the familiar one, sterling. The upward trend in the pound, visible until this week's setback amounted to little more than a blip in a long downward movement. At

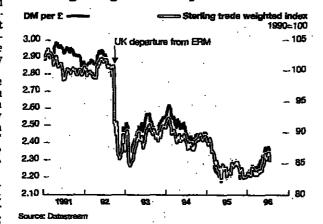
just above DM2.3, the pound is

now not only well below its

old ERM rate: it is still well

below the rate prevailing as recently as 1994. Nevertheless, even blips have in the past been large enough to present awkward policy dilemmas. The Treasury emerged from past

Sterling's slight recovery



some of strain of any movement into or out of sterling should be taken on the exchange rate and some on interest rates. This means that if sterling rises, downward

pressure is being put on output and prices and this permits a level of interest rates flower than it would otherwise be". Such considerations could not have supported the base

rate cuts which the chancellor has made since autumn 1995. as sterling was then lower than justified by international cost comparisons. These past interest rate reductions could be justified only by domestic worries about the slowdown in recovery and the size of the capacity gap. But if sterling rises much further, anxiety about its appreciation could take hold as an independent influence on policy.

Sterling's setback this wee

reflects the troubles of Wall Street and the dollar. Financial markets are now hoping for a lead from Alan Greenspan's Congressional testimony today. But there are several forces which could soon boost sterling further.

The financial markets are becoming ever more convinced that Labour is now at least as much a party of sound money as the Conservatives. On top of this is the belief that Labour is more likely to take Britain into Emu. As I have just explained, Labour leaders do not themselves know if they will, or if so when. But a higher probability is sufficient to affect exchange rates and interest rates. The present interest differential between sterling- and D-Mark-denominated assets would make no sense under a single currency. If the UK were expected to join Emu, UK yields would be a bargain for mobile fund-

So if UK entry were certain, sterling interest rates would have to come down, say to French levels. Alternatively sterling would have to over-shoot to a level where an expected future fall, before fixing the Emu entry rate, would compensate for the present interest rate advantage. As entry is far from certain, market movements will not go so far, but go that way.

At one time the Treasury response to such dilemmas was influenced by a rule of thumb that a 4 per cent rise in the sterling index justified a 1 per cent reduction in base rates. This rule is now disowned; but for want of something better market analysts will still look at it during any sustained rise in the pound.

The compromise embedded in any such rule, or its judgmental equivalent, is however far from satisfactory. When rates fall, the domestic service and consumer sector of the economy benefit, while the traded and manufacturing sectors are squeezed.

If sterling is to be fixed against a currency like the D-Mark, then the rate of inflation in British traded goods would not be able to exceed the German average. But it can take a long time for the external anchor to outweigh an immediate boom in property prices, consumer demand and service expenditure of the kind we saw in the late 1980s.

If the link with the hard currency bloc were permanent, it would be worth weathering some temporary domestic inflationary disturbances to achieve the big prize of long-term currency stability. But as previous experience with shadowing the D-Mark and RRM membership showed. it is not worth weathering them for the sake of a link which is liable to snap.

The only lasting solution to the conflict between external and internal pressures on monetary policy is to do away with the conditions that give rise to the dilemma - namely the division of a single market among several fluctuating currencies. Instead a common currency should be established with monetary policy designed to stabilise average monetary conditions among BOOK REVIEW · Christopher Taylor

IN WITH THE EURO OUT WITH THE POUND: The Single Currency for Britain: By Christopher Johnson Penguin, 272pp, £7.99

# A clear view of Emu impaired by a rosy tint

doubts that the European Union's plan for economic and monetary union (Emu) is of colossal importance for Europe and the UK. Yet the

reaching ordinary people. Christopher Johnson, highly respected economist and leading supporter of UK membership of Emu, has made a heroic attempt to remedy the shortage of accessible information. However, this book merits only two cheers: although impressive, its conclusions are unduly rosy in vital respects.

On at least one main point Johnson is surely right: the economic arguments about monetary union can stand on their own. He shows that monetary union can function without a large central budget or heavily co-ordinated powers of taxation and public expenditure - provided governments have the freedom and wisdom to follow sensible fiscal policies. This means that a successful Emu will not require a

lot of political integration. But the problem with the pure economics of Emu is that although some of its possible effects might be large, they are highly uncertain. The readily quantifiable benefits such as savings in transaction costs are small. On Johnson's figures, they might add 1-2 per cent permanently to the cross domestic product of member states. This would be a useful gain but hardly warrants the upheaval and risks.

The potentially large effects of monetary union are basi-cally threefold. First, it could deliver a substantial cut in interest rates for weaker-currency states, by ending uncertainty over exchange rates and reinforcing fiscal discipline.

Johnson estimates this could add up to 0.5 per cent to annual growth of the UK's potential GDP over 10 years. This is not far-fetched, but depends on many uncertain

commentator whether Emu would function well or not - essentially a question of political will.

The main risk is that once governments have qualified for membership of the single currency, they will be tempted to relax fiscal policies. This could occur in reaction to the austerige does not seem to be ity needed to qualify for Emu. and governments will face no threat to their exchange rate from higher borrowing.

Admittedly market discipline on governments could be tighter in the monetary union because of the ban on intergovernmental bail-outs - but this cannot be relied on. Neither can the quasi-automatic financial sanctions for bad behaviour advocated by the German government.

A second benefit would be the greater price stability that might be a product of Emu. It is widely accepted that low inflation, if established and expected, helps growth in the But even here the evidence

is shaky. Respected economists used to argue that a moderate rate of inflation helps the adjustment of relative wages and prices. And the experience of the core European economies since the 1970s suggests price stability brings significant costs in unemployment. There is also some question

whether the creation of a hyper-independent European central bank is necessary for better inflation performance. National central banks might achieve as much if less susceptible to political interference than most have been.

The third key area of uncertainty surrounds the potential costs of abandoning an independent monetary policy and a flexible exchange rate, which allow countries to adapt their policies to their individual circumstances. These costs should not be excessive for countries with similar industrial structures and flexible labour and product markets capable of adapting to change.

Johnson provides plenty of

No informed factors. Most crucial is evidence that the UK does not score highly on these counts. But he dismisses worms about the UK's "real convergence" with other EU economies on the grounds that sterling is now very competitive against

the D-mark and French franc. This suggests an important blind spot in his appraisal. Sterling may be competitive tion that the D-mark is heavily overvalued against the dollar as - to a lesser extent - are the other strong currencies in the EU exchange rate mechanism. Pressure for a downward

adjustment to the D-mark (or, after monetary union, the euro) must surely occur if and when the core states are firmly launched on a sustained economic recovery. No doubt the Bundesbank will set monetary policy to avoid any decline in the D-mark as it shepherds Europe's proudest currency into Emu. And the European central bank will resist any threat to the euro in the name of price stability. But this: could keep unemployment high in the heart of Europe for years to come, and imply interest rates which would be too high from a UK viewpoint.

Such uncertainties do not necessarily mean it would be a mistake for the UK to enter Emu. Participation could be greatly to its advantage in the long run if the new monetary regime is run sensibly. The fiscal rules are interpreted flexibly and observed scrupulously. and real convergence is secured beforehand,

But waiting would probably be wise if it made it possible tobecome more confident that. these reasonable conditions would be met, and some improvement could also be negotiated in the accountability of the new central bank.

The author is a visiting fellow at the National Institute of Economic and Social Research. In with the euro, out with the pound is available from FT Bookshop, by ringing +44, 181

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# Climate change: we're all in this together

Concern about the impact of human activity on the global climate—a concern Mobil has been discussing in this space—is triggering actions that may create major dislocations unnecessarily. Most of the world's governments have subscribed to a United Nations-sponsored initiative that is developing legally binding targets, timetables and common measures to reduce greenhouse-gas emissions produced by developed nations beyand the year 2000.

Such an approach is likely to cause severe economic dislocations at a time when many nations are striving for growth and jobs to cataput them into the 21st century. Such speed may not be needed or even desirable given what we know and do not know about the economic and environmental impact of what climate change might

Though the industrialised world accounts for half of greenhouse gases, that share will drop as developing nations flex their economic muscle. If developed nations act alone to reduce emissions, the staggering cost imposed on energy-intensive industries will drive nations to export much of their industrial base to countries with less stringent controls.

World economic health will suffer as nations are forced to switch from fossil fuels, saddled with large carbon taxes and driven to prematurely scrap many factories and machinery. The dislocations will be even more severe if the solutions are not implemented globally.

This does not mean we should hope for the best and do nothing. Much has already been achieved and there is more to come.

Energy efficiency and conservation: Industrial nations have vastly improved the performance of the internal combustion engine and of their heating, cooling and lighting appliances. Among the OECD countries, energy consumption per unit of gross domestic product over the period 1979-93 dropped by 19 percent. Improved forestry to restore natural "sinks" that absorb greenhouse gases and better agricultural practices to reduce emissions of nitrous oxide are also helping offset emissions.

Fuel switching: All fossil fuels emit greenhouse gases when burned, but not in equal measure. Oil is cleaner than coal and natural gas is cleaner than both. More utilities in Europe as well as worldwide are switching to natural gas, which emits only half the CO2 as does coal per kilowatt hour produced. Other energy sources—solar, nuclear and wind-emit virtually no gases, yet often face serious economic and political obstacles.

Constructive steps that involve participation by all nations and flexible timing should be considered now. Efforts should be directed at stabilising and reducing emissions when and where they are most cost effective. For example, one control scenario being discussed - stabilising CO2 emissions today and implementing a 20 percent reduction in industrialised countries starting in 2010-could cost \$2,600 billion. Spreading the responsibility globally-allowing trading of emission credits-would lower the cost to some \$1,100 billion; adding flexibility in timing—allowing cumulative rather than annual emission targets out to the year 2050—would bring total costs down to \$500 billion. Some studies indicate the flexible route could achieve the same long-term benefits as the "quicker" plan.

As negotiators grapple with these issues, they would do well to heed the U.N.'s preliminary guidelines: "Measures to deal with climate change should be cost-effective so as to ensure global benefits at the lowest possible cost." Jobs and livelihoods are at stake. Current and future generations are counting on us to manage the chal-

We intend to follow up on the results of the July conference in Geneva to look at the economic impact that emission reduction proposals could have on nations. Look for our messages in the future.

Mobil

# ·LETTERS TO THE EDITOR-

Number One Southwark Bridge, London SEI 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (pieces set fax to fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

## Bold action essential on debt relief

From Mr Justin Forsyth. Sir, The FT is right to argue in its editorial "Agreeing to debt relief" (July 16) that the Paris club should not postpone a decision on extending the Naples terms to its next meeting. This postponement, and the G7 failure to agree to International Monetary Fund gold sales, may prevent a final decision on debt reduction for the poorest countries at the IMF World Bank annual meetings in early October But these are not the only

lengthy six-year time frame before countries will benefit from multilateral debt reduction, the strict eligibility criteria for access to the initiative and the IMP's insistence on contributing its share through more loans. Given the fact that IMF loans have helped create the debt problem it seems absurd that more loans will help solve it. Poor countries, committed to poverty reduction, need a clear quick break from the past. There needs to be a bold and problems with the current debt

initiative. Others include the concerted action by the G7 and other governments in the next two months to break the political log-jam. If not, there is a real danger that we will end up with a debt initiative which helps solve the debt "problem" for creditors but does little to help poor countries break the cycle of poverty and conflict.

Justin Forsyth, director, Oxfam International Advocacy Office, 1511 H Street, NW. Suite 1044. Washington, DC 20005, US

## Minimum wage essential to poverty battle

From Mr Dan Corry. Sir, Following on from Martin Wolf's sideswipe at Labour's plans for a national minimum wage ("The fiscal trap for Labour", July 9), you included a full-scale attack on them in your editorial "Minimum wage" (July 11). But your accusations are hard

to stand up. You are convinced that minimum wages must have a detrimental effect on employment "notwithstanding controversial suggestions to the contrary". Surely you are aware of the important work done in the US by Professors Card and Kreuger that showed that, in the nearest one could get to a controlled experiment in economics, incres minimum wage in the US did not reduce employment. No doubt you are also aware that work (backed by the fast-food industry) by Neumark and Wascher attacking this has now largely been discredited.

Certainly an excessively high minimum wage would cause jobs to be lost, but the empirical evidence (backed up by theories of how real labour markets work) shows that one set at a sensible level need not. You are also convinced that a minimum wage cannot help

in the fight against poverty because not all people with low hourly wages live in poor households. Of course the targeting on poverty is not perfect – a minimum wage after all is aimed at low wages not poverty per se - but a minimum wage does pretty well. Work by Cambridge economist Holly Sutherland published in New Economy, shows the benefits of a minimum wage in the UK would go disproportionately to the working poor. Only around 15 per cent of gains from a £3.50 rate would go to those under 20 years of age.

Also, the problem of too many benefits going to young

people still living at home can be reduced by a lower minimum wage rate for young people - as happens in most EU countries. You suggest a better method to fight poverty is to make the taxpayer pay. No doubt if someone really put this forward in a big way you would talk about the distorting effects of any taxes used to raise the money, the onerous increase in the overall tax burden, dangers of employers taking advantage of any such systems to force down wages, and the problems of incentives that household means-tested benefits always cause.

It is time you confronted the evidence. If you care about poverty, then a minimum wage has to be part of the solution.

Dan Corry, editor, New Economy, Institute for Public Policy Research. 30-32 Southampton Street, London WC2E 7RA, UK

### Cost to the UK of political silence on Emu

From Mr John Stevens MEP Str. Philip Stephens' article on the politics of Emu ("Conspiracy of silence", July 12) was spot on. It is bizarre that the principal effect of the emotive campaign to present British participation in the single European currency as the denial of our traditional parliamentary democracy should be utterly to devalue the next general election by compelling both main political parties to evade probably the

most important issue the UK has faced for 40 years. When this future cost to our constitution is added to the price we are already paying in the paralysis of our present negotiating position on the technical preparations for Emu - Such as the Target clearing system, ably described by George Graham and Gillian Tett ("City fears profit loss by missing Target", July 6) - it is time to call a halt. Emu is an issue which

divides both the Conservatives and Labour. Surely, it should be possible to have a rational national debate recognising this so that the UK interest can be defended properly. Surely, it is now the duty of the City and industry to speak up. After all, it is their interests far more than those of politicians that are on the line.

John Stevens, 39 St James's Place, London SW1A 1NS, UK

### Uzbekistan attracts

From Mr Robert Scallon. Sir, Observer, in its article about Uzbekistan and Daewoo ("St Daewoo's day", July 12) demonstrated the need for more facts on that country. Here goes:

 Daewoo is indeed the largest foreign investor in Uzbekistan but its investment programme is broader than iust the automotive sector. There is a significant element in the Uzbekistan population which is of Korean extraction and which is represented up to deputy prime

minister level. Uzbekistan is enjoying an improving reputation in the west and is attracting plaudits from organisations such as the World Bank and the European Bank for Reconstruction and Development.

 A few 1995 statistics (gross domestic product \$21.4bn, exports \$3.11bn, oil production 5.5m tonnes, gas production 47bn cubic metres, gold production 63.6 tonnes, cotton production 4m tonnes, reserves \$1.5bn, foreign debt \$1.5bn) suggest a country in which the UK should show more interest.

Robert Scallon, export finance director, St Mary's Court, 100 Lower Thames Street, London EC3R 6JN, UK

### Last one came in on time

From Mr P.G.B. Willis. Sir, "Have you ever heard," asks the chief executive of Crest, the London Stock Exchange's new automated share settlement system ("Farewell to mounds of paper", July 15), "of an IT project of this size being delivered on time and to budget?" Yes, I have. It was introduced on April 9 1979, and was called Talisman, the system which Crest in now replacing.

P.G.B. Willis, Far Horizons, Haytor, Newton Abbot Devon TQ13 9XU, UK

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Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Thursday July 18 1996

# The problem of Mr Dole

Whichever way he turns - and he failed to project the semblance of has turned in a number of directions since embarking on his increasingly forlorn-looking campaign for the US presidency - it seems Mr Bob Dole can do nothing

Intense public mistrust of the incumbent, his own early nominafion by his party, a dramatic resignation from the Senate to cam-paign from outside the Beltway, a shift from the right to the political centre where elections are won despite all this, the polls point insistently in the direction of a humiliating defeat for the Republi-

can candidate in November. Indeed, so grim are the numbers looking that some observers suggest Mr Dole could drag a sizeable group of fellow-Republicans in Congress down with him. What is going wrong for him, and what could he do to put it right?

In fairness, it is partly a matter of what is going right for his opponent. Whatever the shortcomings of his first years in office. President Bill Clinton is nothing if not a brilliant campaigner and a deft stealer of his political rivals' clothes. Nor is the sustained economic upturn over which he continues to preside likely to fuel thoughts of overthrowing him. In any case, challenging an incumbent president who was unopposed for his own party's nomination has rarely been a fruitful exercise in US political history.

Yet there is no getting round the fact that a significant part of the problem is Mr Dole himself. Never an inspirational candidate. the ex-Senator from Kansas has dismal performances during previous bids for the Republican nomination in 1980 and 1988.

Since seeing off populist challangers in the primaries, he has have a tough hill to climb.

a coherent campaign theme or a message capable of unifying the divided ranks of his party. Instead, he has been repeatedly and unwisely drawn into rhetorical battles over such issues as whether tobacco is addictive and whether a ban on assault weapons

should be repealed. At best these expose poor tacti-cal judgment on the part of him and his handlers. At worst they betray a fundamental confusion about Mr Dole's political identity This confusion has been evident since the outset of the campaign Originally he attempted to run from Congress by engaging Mr Clinton in legislative trench warfare. Then, when frustrated by a revived Democratic party, he turned the tables by quitting the Senate to run as "citizen

It was a gambit fraught with risks. An explicitly anti-Washington campaign was always going to be faintly implausible from a man with such a long career in the capital. And building one around his personal qualities carried the danger that voters - while recognising his undoubted physical courage and political decency -would still find him a trifle unin-

So it has proved. And it is hard to see what Mr Dole can do fundamentally to improve the situation avoiding media manholes, encouraging his party to keep its divisions under control and hoping something will turn up. Framing a distinctive centrist message will be difficult given the success with which Mr Clinton has annexed Republican territory since 1994. Even if the latter runs into further scandal, his challenger will still

# Troubled waters

The government has decided to allow cross-Channel ferry companies to hold merger discussions. freeing them from long-standing restrictions on co-operation agreements. It is vital that this does not lead to cartels depressing competition on this route.

The trigger for the decision is the emergence of the Channel tunnel as a strong competitor, now commanding some 35 per cent of the cross-Channel market. Prices have plummeted, and ferry operators are now making money only from their duty-free operations. Instead of responding to the tunnel by moving ships to other routes they have increased the number of sailings in a desperate attempt to preserve market

Ferry operators hope that by being allowed to combine their activities they will achieve an orderly reduction of capacity. But the public benefit of such a policy

ing of fleets, joint ticket sales and marketing, and price agreements – is questionable

In itself the rule change need not threaten the status quo. Ministers insist that although discussions will be allowed, normal competition considerations will apply. This would appear to exclude straightforward merger of the interests of P&O and Stena, the two largest operators on the shortsea routes, with a combined 50 per cent market share. But other undesirable agreements might be attempted. Eurotunnel, of course. might also profit from any price-

The Changel tunnel has prompted ferry operators to improve their service substantially in the past couple of years. Prices are competitive, and total traffic has grown significantly. These gains must not be jeopard-

# Treasury musings

about the private musings of UK Treasury officials on Britain's prospects at the start of the new millennium. Clever though the officials undoubtedly are, the Treasury is as often wrong as right even about the present. So it must forgive us some scepticism about its efforts to peer into the

With characteristic bluntness. Mr Kenneth Clarke, the chancellor, has described Strategic Considerations for the Treasury 2000 to 2005, as the work of "kids at the office". He dismisses its ruminations on the potential for deep cuts in the welfare state as based on "cranky, right-wing" ideas imported from Mr Newt Gingrich and his followers on the other side of the Atlantic.

That said, the leaked report should not be dismissed entirely. The political fuss may be exagger-ated, but the document does shed light on the dilemmas Britain will face during the next few years and on the reluctance of the politicians to confront them.

It explains the world as it might he in five or 10 years' time rather than as the Treasury wants it to be. Thus the document does not promote particular policies. Rather it is designed to inform the Treasury about the right levels and deployment of its own staff. In that respect it has much in com-EXI mon with the scenario planning Be- long undertaken by large corpora-

Man tions such as Shell. 13-3 Measured against the self-serv-Q 1 ing optimism of their political aus deristers, the officials display a Berlinis freshing degree of realism about 100 dre country's medium-term proscollecticts. It will not be long, they the enote, before Britain slips from the

at division of world economies. fortunately, their conclusions

challenge seem tinged with the Euroscepticism common among more senior Treasury Mandarins. More interestingly, the document explores two of the most important issues which will confront governments over the next sector and the implications for

European currency. It considers two scenarios for the welfare state. The first envisages a government led by, say, Mr Clarke (or for that matter Mr Tony Blair) seeking to hold the public sector at roughly its pres ent size. The second sees a rightwine administration, led perhaps by Mr Michael Portillo, which might seek radical retrenchment.

Britain of the creation of a single

In setting out the options, the officials illuminate the flaws of present government's attempts to squeeze spending by indiscriminate salami slicing of departmental budgets. Simply to to national income, some large programmes will eventually have to be scrapped. But the politicians have yet to confront the necessary tough decisions on priorities.

The report similarly illuminates the paucity of reasoned political debate on a single European currency. In or out, economic and monetary union will have immense implications, political and economic. But Conservatives and Labour alike are unwilling to engage the electorate in serious

discussion of the pros and cons. It is healthy that such issues are being debated within Whitehall and a pity that the report has been misrepresented. But the Treasury is the author of its own misfortune. If it has nothing to hide it should abandon its obsessive secrecy and publish the document.

# Greenspan's day of judgment

The markets will be following the Fed chairman's congressional testimony today with more than usual interest, says Michael Prowse

The US economy: can the good times last?

Dow Jones Industrial Average

Employment non-farm payroll

Interest rates

s the US economy fundamentally sound and capable of generating healthy corporate profits for years to come or is this period of business expansion now entering its final stages? In the wake of recent sharp falls in US share prices, this is the crucial question on which Mr Alan Greenspan, the Federal Reserve chairman, will be expected to provide guidance in his monetary testimony to Congress today.

Mr Greenspan's congressional appearances are always closely monitored by global financial markets. But today's is especially significant - and not just because of the turmoil in equity and bond markets. Economists will be scrutinis ing his testimony - and the Fed's latest economic forecasts - for hints on the likely course of short-term interest rates. One of the triggers for the sudden fall in share prices was a fear that the Fed would shortly reverse direction on monetary policy and begin raising rates in response to tentative evidence of inflationary pressures, particularly in labour markets.

Is this still the Fed's intention? Or does it think falling equity and bond prices will have a sufficiently deflationary impact on the economy to make official policy adjustments unnecessary? Do not expect Mr Greenspan to give explicit answers to such sensitive questions - he is a master of obfuscation. But the tone of his remarks and the way he chooses to characterise the economic outlook should be revealing.

He is likely to start by emphasis ing how well the US economy has performed in the recent past. Consumers are now enjoying the sixth year of a broadly based economic mansion. Unusually, this has been led by exceptionally strong business investment. The public sector, so often a motor of expansion in the past, has been steadily retrenching. This week the Clinton administra tion predicted the budget deficit would fall to \$117bn in 1996, against \$290bn in 1992. This is equivalent to 1.6 per cent of gross domestic product - the lowest ratio since 1974.

Companies, meanwhile, have cre ated an additional 10m jobs in the past four years - showing that loose talk of "downsizing" is quite misleading. This surge in employment has reduced the jobless rate to 5.3 per cent, its lowest level since 1990. In spite of a strong economic upturn, the annual rate of consumer price inflation has been below 3 per cent for several years and broader price indices suggest the underlying rate of inflation may be closer to 2 per cent.

Corporate profits have risen sharply as a share of GDP, reversing a decline during the inflationary 1970s. And US exports have grown rapidly, in spite of sluggish growth in many overseas markets such as Japan and Europe - testifying to the efficiency of US producers. All in all, as President Bill Clinton recently remarked, the economy appears to be in "the best shape for generation".

Why, then, the turmoil in the stock market? In part, the recent 'mini-correction" is probably just a reaction to past over-exuberance. Ironically the very stability and solidity of the expansion contributed to a mood of over-confidence. By the end of 1994, investors had aiready enjoyed an impressive 12 year "bull market" in equities. But instead of levelling off, shares then rose a further 45 per cent. Recent selling could thus be interpreted as the mere wiping away of specula-

More likely, however, it signifies a growing perception that the good times cannot persist indefinitely. The trouble, however, is that there on what might go wrong. Some emphasise the risk of accelerating inflation - and hence higher interest rates - while others believe a sharp slowdown in growth, if not

recession is imminent. "inflation risk" school The believes the Fed has been slow to respond to convincing evidence of above-trend economic growth and incipient inflationary pressures. It will thus have to compensate for past inaction by pushing up short-term interest rates significantly over the next year.

Proponents of this view point out that economic growth was faster in the first half of this year than almost anyone (the Fed included) expected. And with car and home

sales running at near record levels there are few signs of any deceleration. On the basis of figures on hours worked in recent employment reports, Mr Stephen Roach, chief economist at Morgan Stanley, the New York investment bank, predicts the economy will grow at an annualised rate of 5 per cent in the second quarter and 4 per cent in the third quarter. The economy could still be growing at nearly 3 per cent in the first quarter of next year, well above the 2 per cent widely

Mr Roach sees a burst of growth when the economy is already fully employed as a sure recipe for higher inflation. As in previous cycles, food and energy prices have moved up first. But broader indices will follow their lead. The annual growth of average hourly earnings is now running at 3.4 per cent

seen as compatible with stable infla-

against a trough of about 2 per cent in 1993. And the wage component of the more reliable employment cost index soared in the first quarter.

already well behind the curve on inflation. Mr Roach expects it to lift the benchmark federal funds rate to 7 per cent by the middle of next year, against 5.25 per cent today. But this monetary tightening which would push long bond yields well above 8 per cent - would come too late to prevent a significant increase in consumer price inflation

to 4 per cent next year. The "weak economy" school takes a diametrically opposite view. The Fed need not take any action on interest rates because the business expansion is in its final stages. Recent growth rates cannot and will not be sustained in the face of long bond yields of 7 per cent or more. The consumer is over-indebted and

must retrench. Business investment, so long the source of growth. is already fading - particularly in the high-tech sectors that were so strong last year.

The Economic Cycle Research Institute in Manhattan, a group of business cycle analysts formerly at Columbia University, worries about the possibility of recession next year. There is little or no danger of an upturn in inflation, claims Mr Anirvan Banerji, the institute's associate director. He dismisses wages as a lagging, rather than leading, index of inflation and says all the signs point to subdued price increases for the foreseeable future. Their future inflation gauge is falling, rather than rising sharply as in

early 1994, he says.
According to the institute, the bigger danger is that growth will falter. Its long-run indicator of economic activity began to flatten last January, suggesting sluggish growth early next year. This would leave the economy vulnerable to external shocks that could result in

ost economists -Greenspan included - will probably position where between these extremes. Given the low jobless rate they are braced for some increase in inflationary pressures. Perhaps the most eagerly awaited statistic in coming weeks is the employment cost index for the second quarter, due out on July 30. If this shows another sharp increase in wages, fears of inflation will multiply and the Fed will probably hasten to raise interest rates. But if it and other inflation measures stay subdued, the tone of the bond market could improve mark-

At the same time some deceleration of growth is widely expected after the buoyant summer months. although not to the point of tipping the economy into recession. The "mainstream" reading of events is thus that the stock market is reacting to a double squeeze on corporate profits. As is typical in the late stages of a business cycle, economic growth is slowing while wages and other production costs are rising. "We are seeing labour gain relative to businesses for the first time in a while," says Mr Paul Mastroddi of the Lattanzio Group, a newly formed hedge fund in Manhattan. It is only natural that investors should adjust to a "tougher environ-

ment for profitability". The profit squeeze is most evident in the high-technology sector which has accordingly seen the steepest predicting some downward pressure on the growth of corporate profitability, few economists regard the gyrations of the high-tech sector as a reliable guide to broader economic trends. No other sectors, for example, are seeing the kind of price declines experienced by computer

manufacturers. These economic cross-currents leave the Fed in a delicate position. Having underestimated growth and price increases this year. Mr Greenspan will probably emphasise the risk of higher inflation and try to prepare Congress for the possibility of higher interest rates. But with financial markets so volatile and the prospects for growth so uncertain, it seems unlikely that he is contemplating more than a minor tightening of policy in August. But then gradualism has been the hallmark of the Greenspan Fed - in good times as well as bad.

# OBSERVER.

### Anonymous no more?

■ Joe Klein is the star political columnist for Newsweek, churning out pretty good stuff regularly for his magazine. According to yesterday's

Washington Post, he was doing a little bit more than that a couple of It has fingered him as Anonymous, the author of Primaru Colors, the rollicking, satirical political novel broadly based on Bill Clinton's 1992 presidential

denials are less than absolute. The Post nailed him (it thinks) through a handwriting expert who compared Klein's scrawl with the author's manuscript notes. This is not the first time that forensic science has been used in the search for Anonymous.

campaign – and, for once, Klein's

Earlier this year a university professor used computer analysis to compare the writing style in Primary Colors with those of a number of selected authors and concluded, through a fondness for certain adjectives, that Klein was the man.

But the professor's sample was small and Klein's denial adamant. Other sleuths were deterred by the fact that a reporter in the book, who seemed rather like Klein, was cast in an unfavourable light. There were also doubts that any working journalist could have

produced a book so conspicuously

But when the Post called him at his vacation home with its latest evidence he merely replied "no comment", later supplemented with "Tve said all that I have to

In a culture steeped in the Nixonian world of "non-denial denials", that passed no muster.

One of his Newsweek colleagues wondered yesterday if unmasking might affect Klein's marketability as a columnist. He should worry: the film rights to Primary Colors have been sold for upwards of \$6m and most speculation now is on

who gets to play the Bill and Hillary parts. But if it is all true, at least Klein can play himself.

Long shot

The Organisation for Economic Co-operation and Development that likes to pontificate on countries' growth rates - is growing nicely itself, at least by the vardstick of verbosity. Over the past decade the size of the OECD's annual tome on Switzerland, published yesterday, has more

than doubled, from 61 to 134 pages. A slight hiccup in 1993-94 notwithstanding, the upward trend has been resumed in the current year with a bumper 18.5 per cent increase in the number of pages even though Switzerland is not one of the world's larger countries.

the full story, since they fail to take account both of the rapid growth in footnotes and of the

recent enthusiasm for adding a

bibliography to the usual lists of Both sectors have flourished. with the number of footnotes rising from less than 20 to 167 over the last decade. On present projections, one should be looking for a five page plus bibliography section next

Judging by the experience of Switzerland, the OECD is also taking longer to reach a

In 1986, it needed less than three pages. This year, the OECD has set aside a record 10 pages for a final assessment of its views on Switzerland - a growth rate of more than 50 per cent.

Coining it

■ After swallowing their resentment over losing the centennial modern Olympic Games to Atlanta, the Greeks are trying to hring the games to Athens in 2004. But knowing that competition will be stiff - Cape Town looks a strong contender - they are trying a new

Loukas Papademos, the central bank governor, has been chosen to set out Greece's stall in Atlanta on the eve of the official opening ceremony. Papademos makes no claims to sporting achievement -

These figures, in turn, do not tell he has trouble remembering the names of Greece's weight lifters, several of whom are hot medal prospects - but he's scored several points with Juan Samaranch, the powerful International Olympic Committee chairman.

enthusiastic about a set of commemorative coms for the Atlanta Games, issued by Greece's mint, a department of the central bank. It probably beins that proceeds from sales of coins, which will be launched tomorrow in Atlanta, will go into the IOC's. 

Finally stumped ■ Just as well that ING Barings has settled its row with Deutsche Morgan Grenfell over the poaching of 72 of its Latin American equities

Peace broke out earlier this week just in time for the annual cricket match between the two banks, which took place yesterday

at Buckhurst Hill in Essex. To settle ING Barings' \$10m claim for damages, DMG agreed this week not to solicit anyone from ING Barings' staff until December.

The Deutsche Bank unit reckons the concession is insignificant, but ING Barings has one consolation. DMG could not apply to the cricket field its usual business tactic of pinching its opponents best players.

# Financial Time

100 years ago

Associated Tea Estates of Ceylon The capital is £150,000 divided into 8,000 6 per cent, cumulative. preference and 7,000 ordinary £10 shares, of which 6 000 of the former and 5,000 of the latter are now offered up for subscription. E.Bishop And Sons It has a capital of £180,000, in £1 shares, in equal proportions of 6 per cent, cumulative, preference and ordinary, and they announce an issue of 75,000 preference, and 40,000 ordinary. The prospectus points out that the company acquired as a going concern the old-established business of pianoforte manufacturers carried on by Mesers.E.Bishop and Sons.

50 years ago Cape Asbestos

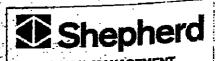
Mr. Robert Walker, chairman of the Cape Asbestos Company. takes a cautious view of the near outlook for the business. On the demand for asbestos manufactured goods alone the prospect is bright, but the meeting of that demand is conditioned by such restrictive factors as labour shortages and controls which are hindering the planning of production and the procuring of equipment. Once these handicaps are removed there seems no reason why the chairman's confidence in the longer term prospect should not prove justified.

100

1992

# FINANCIAL TIMES

Thursday July 18 1996



DESIGN, MANAGEMENT, Tel: 0171 495 5633. Fex: 0171 495 5634

Closure deals further blow to Penang economy

# Grundig shuts Malaysian factory as demand falls

By James Kynge in Kuala Lumpur

Grundig (Malaysia), part of Philips' loss-making German subsidiary, is to close its plant in Penang. The move is a setback for the Malaysian island which had become a booming centre for electronics manufacturers.

Grundig's move follows last week's announcement by US manufacturer Hewlett-Packard that it was shutting the disc drive division of its Penang

Hewlett-Packard, however, is retaining the larger part of its tape drives, optical juke boxes and CD-writers.

Quantum Storage, a Japanese hard disc drive manufacturer, intends to wrap up its operations in Penang by the end of the month with the loss of 1,360 jobs. It hopes that many of the displaced workers will find employment in its sister company in

Penang. Quantum Peripherals. which also makes disc drives. An executive at Grundig (Malavais) said the closure would

result in 600 job losses and was due to falling European demand for radios, cassette players and compact disc players made by the

He believed the Penang closure was a one-off decision and not part of a global restructuring

Slack international demand has also prompted several other factories to start reducing production by limiting overtime, closing for long weekends and freezing recruitment on the sland, off Malaysia's west coast, where a quarter of the workforce is employed in the electronics

Executives in Penang cautioned that the closures did not mean the island was no longer a profitable manufacturing loca-

However, wage increases are now far outstripping productivity gains, prompting some manufac turers to relocate to areas with lower labour costs.

Another issue is a severe shortage of skilled labour, which has led to engineers and skilled work-ers threatening to leave unless they are given pay rises. Because of the labour shortages in Malaysia, an estimated 20 per cent of

the 8m workforce are foreigners. Malaysia's government has long maintained that labour intensive, lower-tech companies are likely to depart as the country heads toward its goal of becoming fully industrialised by

But senior officials recently criticised an average manufacturing wage rise of 11.7 per cent in the first quarter, compared with a rise in productivity of 6.1 per

Penang's slowdown is indice. tive of wider trends. Malaysia's industrial production index in May fell 22 per cent from April. The electronics production index grew 10.9 per cent in May - a much slower rate than the 23.3 per cent rise in April.

With electronics accounting for 18 per cent of manufacturing output and 30.5 per cent of exports, the slowdown is likely to lead to lower exports despite an expected upturn in global electronics

# UK insurers to hire expert to aid genetic testing policy

Rich in London

The UK insurance industry is to appoint a genetic adviser to help companies formulate a policy on the controversial issue of genetic

The announcement yesterday by the Association of British Insurers came on the first anniversary of a report by a parliamentary science committee which gave the industry 12 months to produce a code of conduct for preventing unfair discrimination against people found to be carrying harmful genes.

MPs will debate the issue tomorrow. Last night, geneticists accused the industry of making the minimum possible response to the MPs' deadline and of failing to face the issues involved.

Serious discussion of how the insurance companies might elaborate a code of conduct has scarcely begun," said Mr David Shapiro, executive secretary of

those transferred as part of their

career progression or to a perma-

nent job. The latter usually

receive a one-off payment at the

Management Moves in Europe,

Monks Partnership, The Mill

House, Wendens Ambo, Saffron Walden, Essex CB11 4JX

**Europe today** 

High pressure will produce abundant sur and warm temperatures over the British Isles but high cloud will partially dim the sun in northern ireland and Scotland as a

weak front approaches from the Atlantic. East of the high, northerly winds will direct

patches of cloud to the Benelux but the afternoon will be sunny. Southern

thunderstorms. Northern and central France

and Portugal and Spain will be dry and sunny. A mixture of sun and cloud is

expected near an old front stretching over southern France and Italy but showers are unlikely. Another front will trigger thunder storms in northern and central Turkey.

The British Isles will continue rather sunny and warm but rain is likely in the north next

week. Showers and thunder storms will

expected in the Benelux, Germany and the

Alps. Spain and Portugal will be sunny. The

rest of the Mediterranean will have a lot of

sun but thunder storms will erupt over Italy

Scandinavia, Poland and Russia will continue to have showers and

Five-day forecast

during the weekend.

start of their assignment.

**Transfers** 

Continued from Page 1

"It needs to be pushed forward with vigour, as we are entering an era in which we will know about genetic predisposition to common disorders such as heart disease and cancer

But Mr Mark Boléat, ABI director-general, said the appointment of a medically qualified "genetic adviser" from outside the industry was just one of a series of initiatives. "We aim to draw up a code of conduct, to set down sensible arrangements for the handling of genetic information."

Mr Paul Smee, head of life assurance at the ABI, said the industry had delayed the publication of the code because it was a "difficult issue". The industry wanted "to get it right rather than get it by July 19".

A provisional version of the code says the industry will not itself conduct genetic tests to obtain information about clients. the Nuffield Council on Bioeth- insurance. We do not want to their healthcare provider."

ics, which has led the UK debate find exciting ways to stop people on genetic testing. find exciting ways to stop people from buying it," said Mr Smee. He said the industry was more likely to use genetic information if it was voluntarily submitted by potential policy holders who allow access to private medical

In the US, 13 states have defied lobbying by the insurance industry and passed legislation prohibiting health insurers from using genetic information from applicants' medical records.

Genetic test manufacturers such as Myriad, the Utah-based biotechnology company that is developing a test for breast cancer genes, support such legislation because they believe it will give people more confidence in using their products.

Mr Barry Millard, marketing director of University Diagnostics, a London-based testing company, said UK law should protect genetic privacy in the same way. "The industry wants to sell confidential to the patients and

# US sanctions move angers EU

Continued from Page 1

president's hands in foreign policy by requiring sanctions. US trade partners remain concerned about aspects of the Helms-Burton Act, particularly Title IV, which provides for executives of companies "trafficking" in Cuban property and their familles to be barred from the US.

Washington this month warned directors and executives of Toronto-based Sherritt International that they would be barred from the US unless the mining company pulled out of Cuba by

the end of August. Canada maintains that Title IV contravenes the "free passage" provisions of the North American Free Trade Agreement.

# reduce its troops in Germany to 3,000

The French decision to remove almost all troops from Germany might encourage other Nato members to follow suit. Almost 100,000 US troops are still in Europe, most of them stationed in Germany, while the UK has 25,000 troops there.

difficulties which could be eased by withdrawing troops from overseas bases. However, a presence in Germany is thought by many military officers to be critical for maintaining the "gine" in the Nato alliance.

The cuts stem from President and FFr86bu for equipment

sional force much smaller than the current conscripted army but packing a bigger punch at approximately the same cost. Over the next six years as conscription is phased out, the French army will shrink by 36 per cent, the navy by 19 per cent and the air force by 24 per cent. nance of the remaining French forces in Germany was in accordance with the wishes of Mr Helmut Kohl, the German chancel lor. It also symbolised the Franco-German alliance and affirmed "in a very concrete way" French attachment to the

Eurocorps, a Franco-German armoured brigade designed as the nucleus of a bigger European military force. He indicated that "certain

# France to

By David Owen in Paris and Bernard Gray in London

France yesterday announced a massive reduction of its military personnel in Germany, to leave only 3,000 French troops there by the end of 1999 compared

vith about 20,000 at present. The troop withdrawals, part of a comprehensive streamlining of French armed forces, may heighten tensions between France and Germany over military co-operation.

The announcement follows a decision by the French government to cut several Franco-German arms programmes and a number of Franco-German weap-

Both countries have budget

The package was unveiled yesterday by Mr Charles Millon, the French defence minister, just three days after the traditional Bastille Day military parade. It calls for the disbanding of 38 regiments, the closure of three air bases and the mothballing of the near-obsolete aircraft carrier.

Chirac's decision earlier this year to end nearly a century of military conscription and to peg defence spending for 1997-2002 at an annual FFr185bn (\$35bn). solit between FFr99bn for pay

French-based regiments" would participate in Eurocorps. Eleven of the 38 regiments earmarked for disbanding are currently sta-tioned in Germany.

### THE LEX COLUMN

# Competition Time

From the sketchy details so far available, the US anti-trust authorities have struck a blow for a more competitive media market. The Federal Trade Commission will allow Time Warner to acquire Turner Broadcasting, but Mr John Malone's Tele-Communications Inc (TCI) will have to sever its. links with Time as part of the deal.

The big concern was that Time, Turner and TCI would operate as a single bloc. Their joint dominance of both cable channels and networks would have allowed them to dictate terms in US cable TV. Now with Mr Malone promising to spin off TCI's stake in Time and TCI's favourable deal to receive Time's channels for 20years being annulled, the two groups will probably not act as a single entity. Indeed, there will be incentives

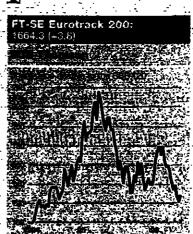
The new Time Warner/Turner combination looks particularly vulnerable. It will no longer be able to rely on TCI to promote its channels like CNN, the Cartoon Network and HBO. Mr Malone has already cut a deal to carry Mr Rupert Murdoch's new 24-hour news channel, which will be direct

competition to Turner's CNN. With the Turner deal nearly clinched, the position of Mr Gerald Levine, Time's much-maligned boss, looks more secure. But he still has much to prove, given the dismal performance of the company's share price since he took over. Not only is the \$7.5bn Turner acquisition extremely expensive; Mr Levine, who has struggled to control Time Warner's existing collection of warring baronies, must now show he is up to managing an even bigger behemoth.

### Semiconductors

Intel and SGS-Thomson have both strated that life in the semiconductor industry is not as bad as has been suggested by the recent high-tech share sell-off. Commodity D-Ram memory chip prices may have dropped by two-thirds from their 1995 peak, but manufacturers are adjusting. Production is being cut and capacity increases are being either phased or cancelled. Meanwhile, producers of high value added products are delivering substantial growth.

The main challenge is that component suppliers to the computer industry are having to cope with a rapid drop in lead time for orders - a natural accompaniment to the fall in component prices. And Hewlett-Packard's recent profits warning offers little bope for a short-term pick-up in the US, while the plight of Escom suggests



Nonetheless, the European manufacfrom the plight affecting US D-Ram producers. They have significantly less exposure to personal computers. particularly in the US, and continental European economies are only just clawing their way out of recession. Moreover, both SGS-Thomson and Philips, and to a lesser extent Siemens, have a low proportion of sales from commodity chips. There is little doubt about the strength of longer-term demand for semiconductors, and with Philips and SGS-Thomson maintaining planned capital expenditure levels they are well placed to benefit from future growth. But until there are signs of a pick-up in consumer

### News Corp

Mr Rupert Murdoch has, unusually, found himself over a barrel. So keen is the News Corporation chairman to beef up Fox, his US terrestrial TV network, that he has had to pay Mr Ron Perelman's New World Communications top dollar for its TV stations. The strategic logic is clear. Together

confidence in European markets this may not be reflected in stock prices.

with Fox's existing stations, the broadcaster now has its own distribution network covering 40 per cent of the US-the maximum allowed by the regulations and more than NBC, ABC and CBS, the other big networks. The advantage of owning a critical mass of stations is that News Corp now has a secure outlet for programmes and a platform for developing new products. Ideally, this will fuel a virtuous circle, with better programmes spurring higher ratings and in turn allowing investment in better programmes. Moreover, a strong US terrestrial network is important as part of Mr

Murdoch's broader global TV strategy. Though satellite and cable networks are growing fast, they do not command nearly as many viewers and so cannot justify the same levels of programming expenditure. But, up to a point, once products have been developed or acquired for Fox, they can be distributed through Mr Murdoch's global empire.

In the circumstances, it is unsurprising that Mr Perelman has squeezed out a high price. Once debt is included, News Corp is paying \$355, for the 80 per cent of New World it does not already own. Even after making allowance for the fact that a production business is being thrown in with the TV stations, that still works out at a hefty 16 times next year's expected operating cash flow.

### Derivatives

Regulators everywhere have been overwhelmed by the explosive growth in the use of derivatives. Yesterday it was the turn of the UK's Accounting Standards Board to try to catch up.

As a first step, the ASB is right to concentrate on ensuring proper disclosure. Most companies these days hedge their exposure to interest rates and currencies with instruments like swans or forward contracts - but you would never guess it from their accounts. The collapse of Metaligesellschaft and Barines shows that when derivatives go wrong they can go very wrong. That does not mean there is a potential disaster hiding inside every widget manufacturer. But derivatives can change a company's risk profile almost overnight. The board's solution is to have companies describe how they use derivatives and to back this up with details of their interest rate, currency and debt profiles. This should help investors to spot trouble

The second, much trickler, issue is how to measure derivatives. The ASB's proposal to mark derivatives to market has the virtue of mirroring internal company practice. But to remain consistent, the board has been forced to extend current market val ues to all financial instruments, including conventional loans. This would transfigure balance sheets and will raise howls of protest from industry and accountants, who are already deeply divided over the merits of current cost and historical cost accounting. That debate must not be allowed to delay the vital goal of improving disclosure as quickly as possible.

Additional Lex comment on United Utilities, Page 17

It was a filthy profession, but the money was addicting, and one addiction led to another, and they were all going to Hell...

THE NOT INTERNATIONAL BESTSELLING NOVEL

The hilarious electrifying novel that does for money what Catch-22 did for war

'This is a wonderful novel' - Mario Puzo

'Bombardiers ranks with Liar's Poker as a portrayal of the craziness of investment banking in its money-junkie phase' - Tom Walfe

'Name of the Rose' rewritten by the Marx brothers - Time Out

MINERVA

# **FT WEATHER GUIDE** 畜 occur in eastern Europe. A warming trend is 27

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